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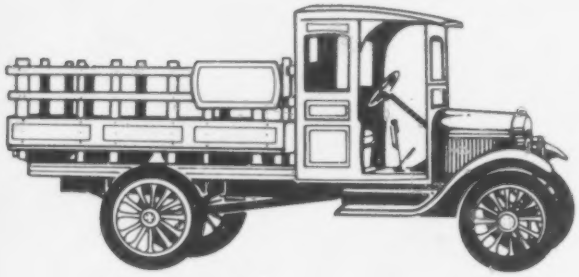

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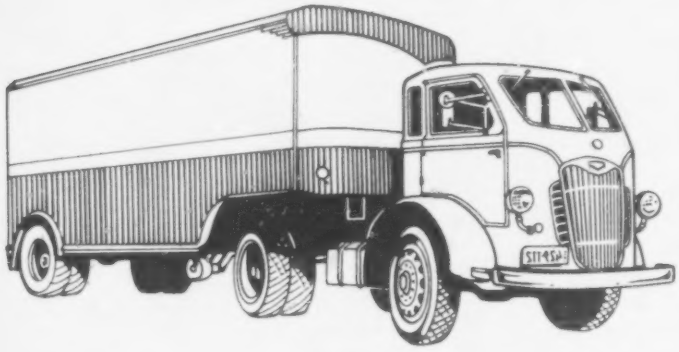

Financial Analysis of the Motor Carrier Industry

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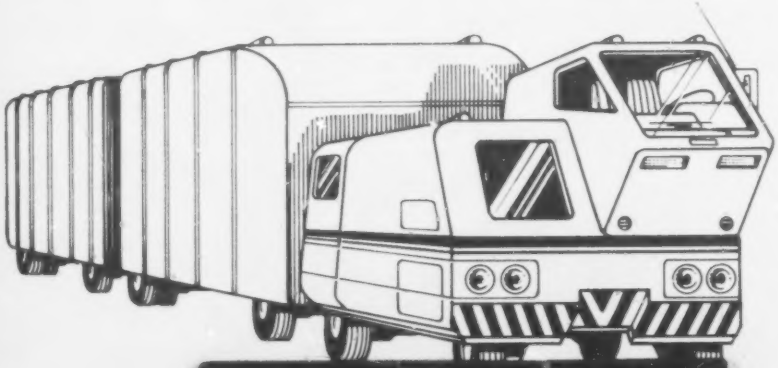

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Patricia Lisciandro
Chase Manhattan Bank, N.A.

FINANCIAL ANALYSIS OF THE MOTOR CARRIER INDUSTRY

1982

Patricia Lisciandro
Chase Manhattan Bank, N.A.

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Donald Tender

A Message from ATA

In the vineyards of American economics, 1981 will not go down as a vintage year. This thirty-first annual review and Financial Analysis of the Motor Carrier Industry, prepared by The Chase Manhattan Bank, N.A., is characterized by the business recession that first struck early in 1981 and continues through the third quarter of 1982.

These reviews have been most important to an industry which began slowly and then suddenly grew at a tremendous pace. Not only have they put the financial situation into perspective, but they also have attracted the interest of the financial community to the industry which has proved most beneficial to both.

The motor carrier industry, its size and importance and the nature of its work, has proved to be a barometer of economic change in general. Thus, the gathering, analysis and publication of economic data and financial information about the motor carrier industry is not only a significant help to the motor carrier executives but also to bankers, security analysts and others deeply interested in up-to-date information on motor freight carriage.

The examination of the trucking industry by a banking specialist is also of great assistance to the smaller motor carriers. They do not have the research staff or statistics available to them to compile and interpret information helpful in obtaining local sources of financing.

As in the past, the report reviews the financial results of Class I and II motor carriers of general commodities and special commodity carriers with annual revenues of over one million dollars for the previous calendar year, in this case 1981.

The author of this year's Analysis, Patricia S. Lisciandro, Vice President, The Chase Manhattan Bank, N.A., is well qualified to interpret the trucking industry's financial data and we appreciate the talent and dedication she has brought to this assignment.

A review by a security analyst specialized in the industry supplements the banker's Analysis. This review reflects on the performance of the industry's publicly held companies in 1981 and early 1982 with observations on future performance. We wish to thank George G. Morris, a Senior Vice President with Prescott, Ball and Turben, Inc., who prepared this supplement.

We appreciate the role of Union 76 Division of the Union Oil Company of California in publishing the Analysis as an ATA Foundation project.

Donald Tender
Managing Director and Controller
Finance and Administrative Division
American Trucking Associations, Inc.

Walter Carey

Message from ATA Foundation

Information, and the analysis of information are vital ingredients to the management of business.

The Union 76 Division, Union Oil Company of California, performs a needed and important service to the trucking industry, as well as the financial community, through its sponsorship of this financial analysis of the motor carrier industry. This is the *seventh* year that Union 76 has done this as its ATA Foundation project and the trucking industry is truly grateful.

While trucking is a giant industry which moves 3 out of every 4 tons of freight in this country, it has not always had the understanding it needs among the banking and financial community.

The publication of the *1982 Financial Analysis of the Motor Carrier Industry* makes a significant contribution to this needed understanding.

In addition, a careful study and review of the data in these pages is of inestimable value to motor carrier executives to give them solid information to assist them in making management decisions.

As the manufacturing and marketing techniques of the United States undergo change, so too does the trucking industry in its methods and operations.

Motor freight carriage, in company with other transportation modes, is truly in a period of great transition.

Publications such as this one by Patricia Lisciandro, Vice President, The Chase Manhattan Bank N.A., provide an important means by which executives can best manage these changes.

Walter F. Carey
Chairman
ATA Foundation, Inc.
Past Chairman
American Trucking Associations, Inc.
Past President
Chamber of Commerce of the United States

William McConnor

Message from Union Oil Company of California

Things seem relatively calm on the energy front in the United States.

During such a time of apparent plenty, including relatively stable product prices, it is easy to forget our dependency on insecure sources of foreign oil.

The volatility of the Middle East and the OPEC nations can be seen almost daily in the news media. The ongoing Iran-Iraq war, the assassination of Anwar Sadat, the invasion of Lebanon by Israel all point to the increasing probability of a disruption in the oil supply to the free world. Although we have come a long way in the past few years, we still import about 30 percent of the oil we use.

The Reagan Administration brought in a new social philosophy stressing greater reliance on the market system rather than political considerations as a determinant of economic decisions. This philosophy was designed as good medicine for business and to help combat our dependence on foreign oil.

An early result of this shift in approach was the outline of a sound energy policy: energy costs moving toward their market value due to accelerated lifting of price and allocation controls on domestic crude oil; supportive government policies on regulation and on capital formation; and increased access to government lands for domestic exploration. The oil industry had argued for a decade that such a policy would provide new incentives for expanded exploration and development and curtail energy inefficiency and over-consumption.

The record of the past year shows that we were right.

America has curbed its appetite for energy. Conservation, or more accurately improved energy efficiency, has brought new stability to America's energy supply picture. The marketplace has accomplished what rhetoric and regulation failed to do.

However, it is sad to see that the principle of politics and not economics has again tended to dominate the governmental thinking as seen in the natural gas price control situation of the 1982 election year. The Administration, after repeatedly calling for free markets for all forms of energy, now finds itself unable or unwilling to push for prompt or phased natural gas price decontrol—even though it could mean billions of dollars in new federal tax revenues at a most critical time.

Although America has greatly curtailed its energy appetite, there will unquestionably be a slow but steady long-term upward trend of total energy usage. This means innovative, expanded research programs; it means aggressive oil and gas exploration and production efforts applied skillfully to an inexorably depleting resource base; and it means a slow but steady commitment to the commercial development of synthetic sources of fuels from our abundant domestic coal and oil shale resources.

The pace of synthetic fuels development already has increased. Union Oil Company, for example, will start producing the first commercial synthetic oil from shale in the United States by the summer of 1983. This $600 million, 10,000 barrel per day project is a 100 percent private investment by Union Oil Company, which is taking both the technological and investment risk.

Such development has been possible only because of free market pricing of energy and government policies which are conducive to such investment.

Union Oil Company recognizes the needs of the trucking industry. We have been a leader in truckstops for many years with the largest network of company owned full service auto/truckstops in the United States.

Union Oil has also devised systems to assist trucking companies to be competitive and survive in the changing marketplace. We have introduced such programs as System 76, an electronic credit authorization system that allows the trucking company special control on the driver with up-to-the-minute status reports. We also introduced a cash card that enables the driver to purchase at the cash price with the special control of a credit card for the trucking company.

It is difficult to predict when an economic recovery will occur. It depends largely on trends in mortgage and consumer interest rates. The optimistic view holds that when people start buying big ticket items such as cars and houses, the trucking industry is always among the first to feel the positive upturn in the economy.

As I have mentioned, with alternative fuel development, conservation and economic rather than political consideration in government thinking, we can end this decade with energy independence and a strong economy governed by the free market system.

William S. McConnor
Senior Vice President
Union Oil Company of California
and President, Union 76
Division

Patricia Lisciandro

The Author

This *1982 Financial Analysis* was authored by Patricia Lisciandro, a Vice President and Team Leader with The Chase Manhattan Bank's Finance, Leasing and Transportation Division. Ms. Lisciandro joined Chase in 1972 and has worked in its Corporate Sector for the past eight years. For the last five years she has been actively involved in lending to the motor carrier industry. She has previously authored the *1980 Financial Analysis of the For-Hire Tank Truck Industry*. Ms. Lisciandro is a member of the National Accounting and Finance Council of the American Trucking Associations and the Transportation Association of America. She received a Bachelor of Science degree in Business Administration from the State University of New York at Buffalo.

Acknowledgements

The author wishes to thank Don Tender, Mary DeLaney, Ron Roth and the staff of the American Trucking Associations for their considerable assistance and technical support in the preparation of this analysis.

In addition, a special thank you is extended to Patricia A. Sparacio, a financial analyst with the Bank, for her assistance in the analysis of the data contained in this report. Richard W. Everett, Vice President of Chase's Economics Department, is owed particular thanks for his important input on the economic issues facing the industry.

Grateful acknowledgment is also made to George G. Morris of Prescott, Ball & Turben, Inc. for his contribution to this year's report.

The information contained in this report is believed to be accurate; however, Chase is not responsible for any errors contained herein. The views of the security analyst are his own and do not necessarily reflect the views of Chase.

Chase welcomes your comments and inquiries.

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AN ECONOMIC AND INDUSTRY OVERVIEW

The following pages offer a detailed analysis of the 1981 results of the motor carrier industry. The analysis will show an industry struggling not only with regulatory changes, but also with a weak economic environment. To provide some perspective on just how difficult the economy was last year, it probably would be helpful to quickly review the course of the economy in 1981.

The U.S. economy went into recession in August, 1981, barely a year after the end of the 1980 recession. Nevertheless, economic growth, as measured by real Gross National Product, (GNP) was only slightly under 2% for the year. Corporate profits fell for the second year in a row, and the unemployment rate rose from 7.4% in January to 8.8% in December. Industrial production stayed on a plateau for the first half of the year but then went into a sharp decline.

Interest rates continued on the volatile path that began with the Federal Reserve's shift toward a more restrictive monetary policy in late 1979. Most rates attained all-time peaks at some time during the year. It was high interest rates, more than any other factor, that brought about the economic recession. In response to the combination of relatively tight money and the economic recession, the rate of price inflation, as measured by the Consumer Price Index, (CPI) declined to 9.1% from more than 12% in the previous year.

High interest rates were primarily responsible for the continuation of the downtrend in housing activity that had begun in 1980. Starts on new housing units totaled less than 1.1 million—the lowest level since just after World War II. Business investment in new plant and equipment rose early in the year, but then began to level off, reflecting both a decline in operating rates and the beginning of a squeeze on cash flow. Business investment in inventories increased throughout the year, to the point where inventories were substantially excessive in relation to sales by year-end. Total spending by consumers (which accounts for about two-thirds of all economic activity) was reasonably well maintained until late in the year. Sales of durable consumer items, however, declined significantly. Sales of automobiles fell to 8.6 million units, well below almost all other recent years.

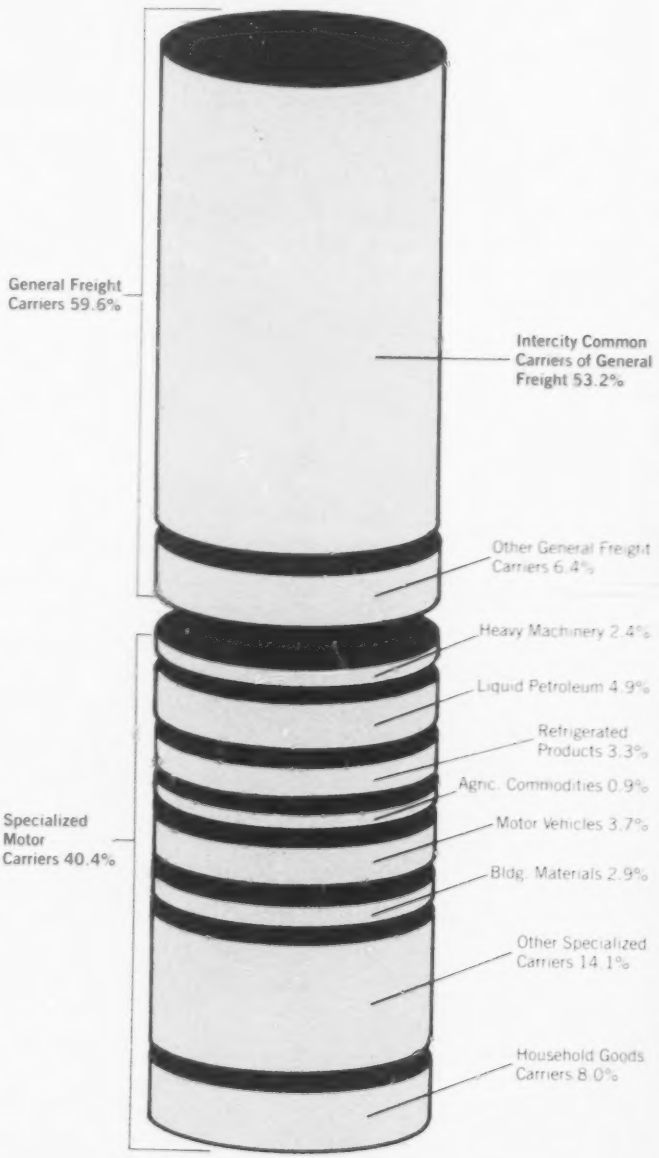
Obviously, the 1981 economic setting did not foster growth opportunities for the motor carrier industry. General freight carriers hauled 1.5% less tons than in 1980 and total miles were up only a scant 1.3%. The average load factor was down 1.3%. Special commodity companies were faced with a like environment; tons were off 0.4%, miles up 1.6%; however, the average load factor did increase 2.4%.

The end result was that carrier operating income declined dramatically in the general freight sector and slightly in the specialized carrier segment. Non-carrier income allowed the specialized group to post an increase in net income, but the general freight group reported a 33% decline in net income. Whether the primary cause of the industry's poor performance was the weak economy, difficulty in adapting to an unregulated environment or to some level of price competition, or to all three factors, is difficult to determine. It is safe to say however, that the industry's operating margins have always been small and have declined even further in the past few years. As a result, only a slight excess in expense growth over revenue growth has a very significant impact on net income.

The recession that began dur-

FIGURE I

Distribution of Revenues by Type of Carrier—1981*



*Excludes revenues of United Parcel Services which totaled $4.6 billion.

Source: 1981 F&OS Motor Carrier Annual Report

ing 1981 has continued at least through the fall of 1982. Production appeared to be leveling off during the summer, but began to decline again in August. Corporate profits suffered one of the sharpest drops on record during the first quarter, but then flattened out as many businesses took drastic measures to get costs under control. Industrial production will be down about 8% for the year and total output (real GNP) should decline by about 1½%. In September the unemployment rate rose past 10% for the first time since before World War II. Interest rates were on a declining trend during the first half of the year but nevertheless remained at historically high levels compared with any period prior to late 1979. Then a sharp decline in rates got under way in August and is likely to continue through the year.

In a year of generally gloomy economic news, there is clearly only one bright note: the CPI is expected to rise by only about 6%—the smallest increase in six years.

Housing starts remained at extremely low levels through most of 1982—even lower than those of the previous year. Thanks to the sharp decline in interest rates, however, there were encouraging signs of an improvement in residential real estate activity late in the year. Business capital investment turned extremely weak, as industrial operating rates fell below 70% and cash flow was squeezed by the drop in profits. Inventory investment was also cut back substantially. Sales of automobiles fell to the lowest point since the early 1960's, with consumers buying less than 8 million new cars. Sales of other consumer products were lackluster throughout the year.

While the complete 1982 data for the motor carrier industry will be analyzed in next year's publication, figures for the first half of 1982 indicate an acceleration of the negative 1981 trends, mirroring the economy. The reporting companies—a somewhat smaller but certainly representative group—generated net income after taxes of only $11.4 million compared to $223.2 million in the first half of 1981. The 334 general freight carriers actually reported a loss of $7.1 million for the six months. It is not anticipated that the latter half of 1982 will be any kinder to the industry than the first.

The economy again appears to be leveling off at year-end, with increasing signs that an upturn might lie ahead. However, it also appears that recovery will be relatively slow for at least the first few months of 1983. Three sectors in particular continue to exert a significant drag on the potential for overall growth. One is business investment in plant and equipment, which appears to be in a decline that will last at least through the first half. Another is agriculture, which faces its fourth consecutive year of extremely low income due to low crop prices. And the U.S. trade balance became sharply unfavorable in 1982.

While the U.S. economy was in recession, the economic condition of many of our principal trading partners was even weaker. The U.S. dollar was also extremely strong during this period. Both of these factors had a tendency to depress U.S. exports, and the strong dollar encouraged U.S. imports.

It is generally expected that the economy will turn fairly strong during the last half of 1983. The inflation rate is expected to remain low—perhaps 5%. Persistence of low interest rates promises to continue to encourage growth in housing activity and eventually to foster an increase in business investment. Another 10% cut in individual income tax rates, scheduled for July, is also expected to boost consumer spending in the second half of the year. Even with the expected growth rate, however, the unemployment rate appears likely to remain between 9½% and 11% during the year.

The economic outlook for 1983 indicates that the motor carrier industry should not anticipate brighter days until the second half of 1983. It will be unfortunate if many of the companies that survive this extremely difficult period are unable to participate in the forecasted growth of late 1983. Investment in revenue equipment has understandably been low. At 12 13 81, the depreciation reserve gross carrier revenue equipment was already at a high level of 48%; a reversal of this condition in 1982 would be unlikely. By mid-1983, therefore, equipment should be in need of replacement. The following analysis will conclude that cash flow is adequate to service existing debt. However, obtaining additional financing—for higher priced equipment—on a track record of two years of poor earnings may be difficult for many carriers.

Industry Issues

Certainly with the passage of the Motor Carrier Act of 1980 both industry members and their lenders anticipated significant changes in the months and years to come. No one expected this evolution from a "regulated" to "free market" industry to be painless, but few could foresee the depth of the problems and the issues to be encountered.

The liberalization of operating rules coupled with a weak economic environment have severely tested management over the past two years. The continuation of these conditions and myriad other unresolved issues facing the industry today will further challenge management's abilities. While continuing to watch how well management will respond to these challenges, lenders recognize that there are several important issues over which management has little or limited control. Collective ratemaking, truck size and weight legislation, highway financing and the resolution of the Multi-Employer Pension Plan Amendment Act (MEPPAA) are just some of those issues.

The recommendations of the Motor Carrier Ratemaking Study Commission on the future of collective ratemaking in the motor carrier industry were due by January 1, 1983. At issue is the ability of motor carriers to meet collectively—free of antitrust ramifications—to discuss and establish single line and or joint line rates. If free market economists have their way, the future of collective ratemaking appears bleak.

An issue with significant future importance to the trucking industry has just been passed by the House of Representatives. This issue is actually two linked together—truck size and weight legislation and highway financing. In truck sizes and weights, the industry is obtaining uniform minimum truck sizes and weights prescribed by federal authorities to replace the mandated maximum federal limits which states are now free to accept or reject. The uniform truck limits are 80,000 pounds gross vehicle weight for combination units with axle weights of 20,000 pounds on single axles and 34,000 pounds on tandems. An increase in truck widths to 102 inches from the present 96 inches is also granted, and perhaps the most important aspect of the new limits is the nationwide acceptance of twin trailer combinations, up to now prohibited in the eastern states. At stake is motor carrier productivity and

cost savings to carriers and, hence, to shippers and receivers.

This aspect of the pending highway program is balanced by the need for increased funds for highway construction and repair. Highway use taxes will increase for all highway users and the trucking industry is being called upon to pay a large share of the increase. The industry has indicated a willingness to pay some level of additional taxes to compensate for the incremental highway costs trucks cause, but the measure in Congress is assigning the trucking industry a substantially greater bill, close to half the total Federal monies required. The difference in amounts has led to much debate and the trucking industry's ability to pay is constrained by the severely declined earnings.

As important as these issues are to the motor carrier industry, probably none will have a more significant impact on a lender's decision on how or whether to lend to a company as MEPPAA. This Act, as it currently stands, obligates carriers for 100% of the unfunded vested liabilities of pension plans in the event a carrier liquidates or sells. In many instances this "withdrawal liability" would exceed the carrier's total equity. Due to this onerous liability, many carriers in a loss posture that would like to close down continue to operate while their equity slowly erodes. At this time, there is a lead case in Mississippi which may resolve the issue for the motor carrier industry. Also before Congress is an amendment to the Act supported by both industry and labor which could also remedy the situation.

Whether the issue is resolved by legislative action or by judicial relief, it must be resolved. In the interim, all companies (excepting the strongest and most lowly leveraged), should anticipate that banks will request security for their loans. From a lender's viewpoint, MEPPAA is perhaps the most serious issue to confront the trucking industry in recent times, including the changes brought about by The Motor Carrier Act of 1980.

FIGURE II

Results of Operations—1981 vs. 1980 of Class I Federally Regulated Motor Carriers of Property[1]

Number of Carriers	(Percent changes in Operating Revenues and Other Financial & Operating Statistics)	Operating Revenues	Total Operating Expenses	Interest Expense	Income[2] Taxes	Net[2] Income	Total Vehicle Miles	Total Tons of Revenue Freight
480	**US. Total**	8.0	9.1	3.9	(7.3)	(13.6)	1.2	(2.9)
209	**General Freight Total**	7.6	9.1	5.1	(14.4)	(22.9)	0.1	(2.9)
253	**Carriers of Specialized Commodities (Except Household Goods)—Total**	8.7	9.3	2.3	1.0	(1.6)	1.9	(3.1)
18	Heavy Machinery	7.3	8.0	32.7	(22.8)	(1.6)	2.6	(1.1)
42	Liquid Petroleum	1.6	3.0	3.0	(25.9)	(25.3)	(7.7)	(7.7)
29	Refrigerated Products	8.2	10.0	0.0	(33.9)	(29.6)	2.5	(0.2)
7	Agricultural Commodities	9.4	8.0	(15.7)	105.3	81.3	1.0	(0.4)
15	Motor Vehicles	18.3	15.2	(19.1)	N.A.[3]	N.A.[3]	9.5	5.0
21	Building Materials	16.9	18.3	6.7	(17.8)	(22.3)	12.3	4.7
121	Other Specialized Carriers	9.1	9.6	4.4	8.2	(3.8)	2.3	(2.0)
18	**Household Goods Carriers**	8.0	8,4	3.3	22.9	19.4	4.2	7.6

Note: Parenthesis indicates decrease.
[1] Excludes results of United Parcel Service.
[2] Excludes write off of operating authorities.
[3] N.A. - Not Applicable. Percentage changes are not applicable due to tax credits or net losses.
Source: Financial and Operating Statistics, Full Year 1981 (C). Based on Quarterly Reports (Form QFR) to the ICC.

The Limitations of Statistics

It is probably worthwhile to point out the limitations of dealing with aggregate numbers. Although the industry as a whole is not doing well, there are many companies operating in the same regulatory and economic environment that are outperforming the industry composite results. The reverse is also true: some companies are having far greater problems than those borne industry-wide. For example, eleven companies comprising one group in the analysis generated a total revenue increase of 13.5% in 1981 but reported a net income decline of 41.2%. The operating ratio increased by 192 basis points to 97.10.

A look at the individual companies reveals the following:

1. All eleven companies reported revenue increases but they ranged from 1.1% to a very impressive 30.2%.
2. Six of the companies had operating ratios below that of the composite, and overall the range was from 88.3 to 112.7.
3. Although the group reported a very sharp decline in net income, five companies reported increases ranging from 13.4% to 107.3%. Two companies lost money in both years, and the losses increased significantly in 1981. Two other companies that had been profitable in 1980 lost money in 1981.

Certainly aggregate numbers are useful in developing overall guidelines or spotting general industry trends, but they are no substitute for a detailed review of an individual company's performance. With the advent of a deregulated industry placing more flexibility in management's hands, these ranges of performance within any one group will, in all likelihood, continue to increase. An evaluation of senior management and the depth of second-line management has become considerably more important to the lending community.

THE STRUCTURE OF THE MOTOR CARRIER INDUSTRY

The motor carrier industry may be conveniently divided into two major classifications, Private and For-Hire.

Private Carriers consist of the trucking operations of manufacturers, wholesalers, merchants, and other shippers for transporting their own goods by means of equipment which they themselves own or lease. If their principal business is *not* transportation services, they qualify as private carriers. Those firms which meet the criteria which define private carriers are not subject to Interstate Commerce Commission regulation.

For-Hire Carriers transport freight which belongs to others. They may be classified by jurisdiction served such as interstate, intrastate, and local, the last two classes being regulated by local or state authorities, or exempt from regulation. They may also be classified by kind such as Common Carriers, Contract Carriers and Exempt Carriers.

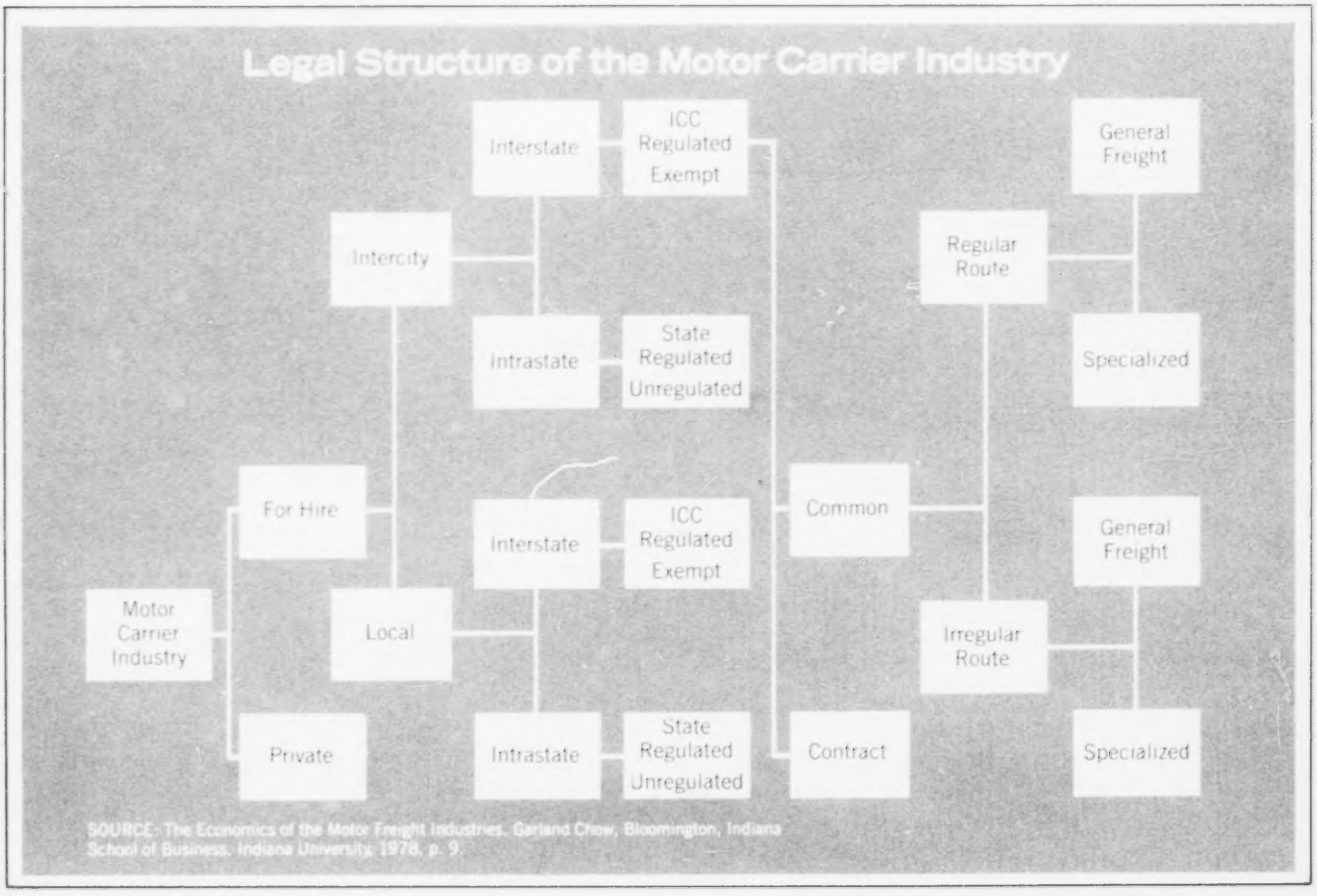
I. Common Carriers by definition offer their services to any shipper to transport his goods between designated points at published rates under authority granted them by the ICC under a certificate of public convenience and necessity. This certificate spells out both the types of commodities which may be carried and the service routes, whether irregular route service between areas on a non-scheduled basis or regular route service over designated roads on a scheduled basis. The ICC must also approve the tariffs established for various classes of freight by the numerous regional rate bureaus. In general, any service which is not specified by the terms of an operating certificate is forbidden.

II. Contract Carriers, as the name implies, were restricted through 1979 to serving one or a few shippers under specific contractual arrangements and could not, unlike the Common Carriers, offer their services to the public-at-large.

Owing to the non-public nature of these carriers, the rates which they may charge differ from the tariff structure governing Common Carriers. Operating authorities which specify areas to be served and commodities to be carried must be obtained from the ICC. The Motor Carrier Act of 1980 substantially liberalized the rules for contract carriage.

III. Exempt Carriers transport certain specialized goods, such as unprocessed agricultural products, livestock, and newspapers, and are exempt from ICC regulations about routes, areas and rates.

Note: Motor carriers authorized and regulated by the Interstate Commerce Commission are categorized into three classes according to revenue size. Effective in 1980, Class I are carriers having annual revenues over $5 million, Class II having revenues between $1 to $5 million, and Class III having revenues less than $1 million.



SOURCE: The Economics of the Motor Freight Industries, Garland Chow, Bloomington, Indiana School of Business, Indiana University, 1978, p. 9.

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ICC Geographic Regions

1 New England
2 Middle Atlantic
3 Central
4 Southern
5 Northwestern
6 Middlewestern
7 Southwestern
8 Rocky Mountain
9 Pacific

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SCOPE OF THE ANALYSIS

The 1982 *Analysis* focuses on 1,951 Class I and II ICC regulated for-hire motor carriers of which 704 are general freight common carriers and 1,247 are common and contract carriers of specialized commodities. These companies do not constitute the total number of ICC Class I and II firms but include those for which consistent and uniform financial and operating data have been obtained for both 1980 and 1981. Total 1981 revenues for all ICC regulated motor carriers—Class I, II, and III—were estimated at $47.2 billion. The carriers in this *Analysis* generated $32.4 billion, or 68.6% of the total. They are therefore indicative of carrier performance and operating results but may not necessarily represent the industry in total.

Class I and II firms not represented in this *Analysis* have either been excused from filing results with the ICC or are excluded for reasons such as not filing on time or because the data was incomplete, inconsistent or inaccurate for either 1980 or 1981. Carrier results are taken directly from the annual reports submitted to the ICC with the exception of data on Group E which is from the company's annual report to stockholders. None of the approximately 18,600 Class III carriers are represented in this profile since Class III carriers are not required to file any financial results with the ICC.

The basic revenue groupings of carriers in the general freight sector have been changed in this 1982 *Analysis* into what is hoped to be more meaningful composites.

Group A covers the smaller-size general freight carriers, those with revenues less than $5 million. The 354 carriers in this group are, as in the past, further segregated into the 9 ICC regions based on the domicile of the carriers. Their operating territory may not totally coincide with their region of domicile but, in general, these smaller-size carriers have more limited territorial coverage than their larger counterparts.

Group B includes 235 general freight carriers with 1981 revenues of between $5 and $25 million. Like carrier Group A, they are further split into the 9 ICC regions of domicile. Their operating territory is broader than that of the Group A carriers, but nonetheless, is regional or perhaps multi-regional in nature.

Group C includes 115 general freight firms with revenues of $25 million or more. Since these firms operate multi-regionally and nationwide, they are subgrouped based on length of haul and then further segregated by revenues. Group C-1 includes carriers with revenues between $25 and $100 million. These 76 carriers are, in turn, categorized by length of haul: 250 miles and under and greater than 250 miles. Their larger counterparts in Group C-2 all have 1981 revenues in excess of $100 million and these 39 firms are divided into four length of haul categories: 250 miles and under, 251-500 miles, 501-750 miles, and those greater than 750 miles.

These redefined revenue categories for general freight carriers are designed to give a more balanced profile in terms of revenues (or other account totals) and to provide for more in-depth analytical possibilities. In the 1981 *Analysis*, carriers in Groups A plus B, as then defined, generated 6.1% of general freight revenues. As now defined, they have 19.9% of the groups' total. Group C-1 in 1981's *Analysis* had 4.0% of general freight revenues; the new grouping has 20.7%. Last year, Group C-2 had 89.9% of revenues whereas now they generate 59.3% of the general freight total. As previously mentioned, the 1981 data has been regrouped to conform to the new definitions.

Group D, as in past analyses, represents common and contract carriers of specialized commodities. These firms are subgrouped based on the principal commodity carried.

Group E reflects publicly-held companies which derive a majority of their revenues from motor carrier general freight operations. This group, like Group D, is defined as in previous analyses.

Productivity data, as noted, refers to intercity carriers only and, as such, may constitute less than the total number of carriers analyzed in each of the carrier groups.

TERMINOLOGY

Income Statement Data

Gross Revenues: Total operating revenues derived from freight transportation services.

Depreciation: Non-cash charges to income for use and obsolescence of carrier operating property and other fixed assets.

Purchased Transportation: The costs of revenue equipment rented from others, including affiliates, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers.

Operating Expenses: Expenses which are directly a function of operations, including depreciation and purchased transportation. Non-carrier expenses and interest charges are not included.

Operating Income: Gross revenue less operating expenses.

Interest Expense: The cost, paid or accrued, of purchased money indebtedness from affiliates or others.

Net Income Before Taxes: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

Income Taxes—Current: Includes taxes paid to the federal, state, and (if applicable) local government.

Deferred Income Taxes: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

Equity in Earnings of Affiliates: An account used in the cash throw equation. As of Jan. 1, 1977 this account was removed from the "Other Income/Deduction" account groupings and placed after taxes.

Income before Extraordinary Items: Post-tax ordinary income excludes extraordinary gains and losses. Ratios which are developed from after tax income figures such as net after taxes to equity and to gross revenues are based on post-tax ordinary income in this year's edition.

Extraordinary Items: Includes net gains or losses on unusual items such as the sale of land or securities and typically have minimal impact on net income. Due to the 1980 Motor Carrier Act's regulatory changes trucking firms have written off their operating authorities (intangible property) as an extraordinary charge in their 1980 reports. The tax benefits from these write-offs are reflected in the 1981 reports.

Net Income after Taxes: The sum of post-tax ordinary and extraordinary income.

Balance Sheet Data Assets

Cash: Cash, temporary investments, and special deposits.

Receivables from Affiliates: Notes and accounts receivable due from affiliated companies.

Notes and Accounts Receivable: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

Prepaid Expenses: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

Materials and Supplies: These include fuel, spare parts, and unmounted tires and tubes. Inventories may be expensed when purchased or as they are withdrawn for use.

Other Current Assets: Includes the standard accounting term "other current assets" and deferred income tax charges.

Current Assets: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

Carrier Operating Property (Net): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

Total Tangible Property: Net carrier operating property plus other net non-carrier operating property. The "other" property account includes items such as land purchased for expansion, or buildings, etc.

Intangible Assets: A combination of (a) the carrying values of operating authorities ("Rights") from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired. As a result of the Motor Carrier Act of 1980, the value of these assets has been virtually eliminated.

Other Assets: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

Liabilities and Equity

Payables to Affiliates: Notes and accounts payable to affiliated companies.

Notes Payable: Short-term debt used for cyclical working capital purposes, such as license fees and insurance premiums. The current portion of funded (long-term debt) does not fall into this category.

Accounts Payable: Operational trade payables.

Miscellaneous Payables and Accruals: Unpaid salaries and benefits, including health, welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

Taxes Payable: Miscellaneous taxes due or accrued, such as income, real estate and highway use, but not deferred income taxes.

Current Portion of Funded Debt: The amount of funded debt due within one year. Under ICC accounting practices, this is now considered a current liability.

Other Current Liabilities: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

Current Liabilities: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

Advances Payable: Contains the non-current portion of advances payable, both to affiliated companies and other business enterprises.

Funded Debt: Secured or unsecured purchased money indebtedness taken for a term greater than one year and used primarily for revenue equipment and real estate purchases.

Total Long-Term Debt: The sum of long-term funded debt (excluding current maturities) and long-term advances payable.

Total Funded Debt: The total purchased money indebtedness of a company including long-term funded debt and the current portion of that debt. Long-term advances payable are not included here.

Reserves and Estimated Liabilities: Reserves covering cargo loss, damage and self-insurance programs.

Accumulated Deferred Tax Credits: Deferred income taxes

resulting from the difference between book and tax treatment of depreciation.

Total Liabilities: The sum of current liabilities, total long-term debt, and reserves and estimated liabilities.

Stockholder's Equity: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock.

Total Capital: Total long-term debt (funded debt due after one year and non-current advances payable) plus stockholder's equity.

Analytical Data
Profitability

Gross Revenues to Equity: One of several measures suggesting the degree of efficiency in employment of capital.

After-Tax Income to Equity: This ratio, return on shareholder's equity, indicates how well the owners' investment dollars are used.

Gross Revenues to Carrier Operating Property (Net) and (at Cost): These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

Gross Revenues to Total Capital and Pre-Tax Income to Total Capital: Two additional operating ratios which measure the turnover of total capital on revenues and pre tax income.

Pre-Tax and After-Tax Income to Gross Revenues: Well-known measures of profitability. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate significant trends.

Return on Transportation Investment: Net carrier operating income divided by carrier operating property (net) plus working capital expressed as a percent.

Expense Ratio: Total operating expenses plus interest expenses as a percentage of gross revenues. Unlike the operating ratio, the expense ratio also takes into account the cost of debt.

Operating Ratio: Operating expenses as a percentage of gross revenues. This is an important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

Liquidity

Cash Throw: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

When mention is made of cash throw debt coverage, it is recognized that normal operations preclude such pay-offs as cash throw is used for numerous purposes other than debt retirement. The time period coverage is offered as one measure of liquidity and should be evaluated *relative* to cash throw coverage of the other carrier groups.

Working Capital: Current assets less current liabilities.

Current Ratio: The ratio of current assets to current liabilities, both as previously defined. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

Days of Cash Expenses in Working Capital: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from operating expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into working capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminution of current assets, which is relevant, and, therefore, the day's cash ratio is a better indicator of operational viability than the current ratio.

Average Days Collection Period: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables. When comparing the collection period of one firm or industry with that of another, allowances should be made for possible variations in selling terms. Note that the collection period ratio shown herein, relating revenues to receivables, does not specifically address the collection procedure of motor carrier groups, however, it is indicative of *relative* turnover of receivables.

Leverage & Debt Service

Funded Debt to Equity: The ratio of total funded debt, including current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

Net Debt to Equity: Funded debt due after one year less working capital, divided by stockholders' equity. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

Funded Debt to Tangible Net Worth: Total funded debt divided by stockholders' equity less intangibles. This ratio is another "fine-tuned" version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

Cash Throw to Debt Due in One Year: Cash throw divided by current portion of funded debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment contract basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using revolvers. An axiom of lenders is that carriers should be able to cover current debt maturities through depreciation alone.

Cash Throw to Total Funded Debt: This index reveals the proportion of total funded debt that could be repaid in one year if all cash throw were directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of carrier operating property.

Interest to Total Funded Debt: This index shows the percentage interest payments represent of total funded debt.

Net Carrier Operating Property to Net Worth: As a measure of owners' equity in operating property, this ratio points to the relative adequacy of capitalization as well as to efficient use of capital.

Additional Ratios

Receivables to Payables: Notes and accounts receivable divided by notes payable plus accounts payable.

Depreciation to Debt Due in "One" Year: Depreciation divided by funded debt due in "one" year.

Total Tangible Property to Equity: Total tangible property divided by stockholders equity.

Income Before Extraordinary Items to Equity, Percent: Net income after taxes, but before extraordinary and prior period items divided by stockholders equity times 100.

Gross Revenues to Total Tangible Property: Gross revenues divided by total tangible property.

Productivity

Total Payroll to Revenues: This ratio suggests the degree of efficiency with which labor is employed. The ability to control payroll expenses will vary, of course, between different kinds of carriers and the ratio should be used with caution when comparing carriers of unlike kind.

Total Payroll (WPT) to Revenues: The ratio of total payroll (including purchased transportation) to revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of total payroll to revenues for analyzing those carriers, such as Group D carriers, which rely heavily upon purchased transportation.

Cargo Handler Compensation to Revenues: Cargo handler compensation comprises one of the main components of total payroll, especially for general freight carriers. Thus, this ratio focuses upon one aspect of personnel cost.

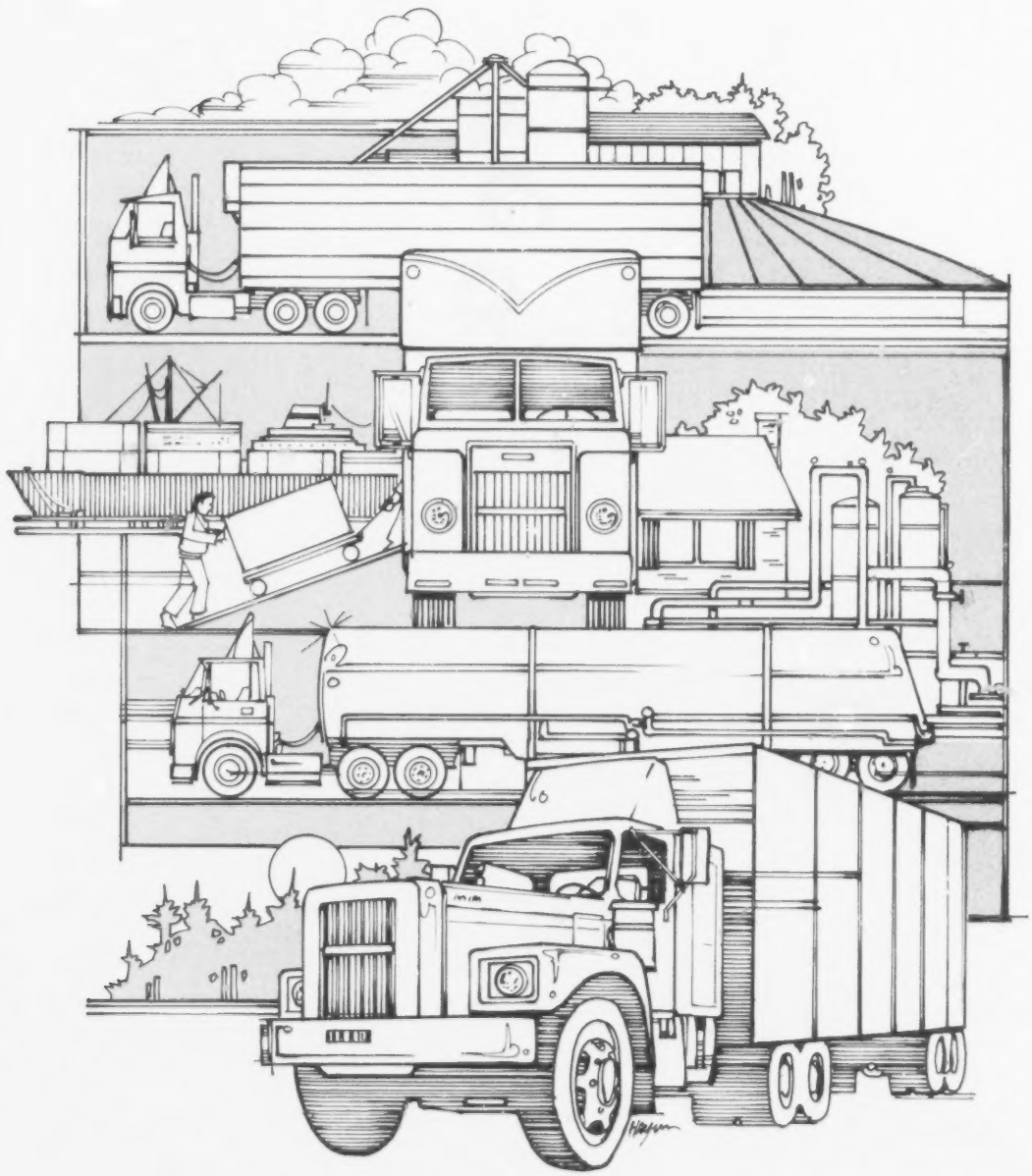
Linehaul Expenses to Revenues: The linehaul expense category aggregates the allocation of various operating expenses. The ratio thus gives yet another handle on operating productivity.

Average Load: An index of the utilization of productive capacity, derived from the ton-mile figures compiled by carriers. Ton-miles are perhaps the most troublesome statistic for motor carriers to generate, but should reflect a summation of the number of truck movements made during any period, with the relevant data for each truck movement being the tons handled multiplied by the mileage of the movement.

Total Tons: Total tons reflects a combination of tons handled in truckload and less-truckload amounts as well as tonnage from common and contract carrier intercity service.

Total Miles: Total miles reflects intercity miles with owned vehicles and intercity miles with vehicles rented with and without driver as well as driveaway miles operated in intercity service.

CARRIER GROUP ANALYSES



COMPOSITE CARRIER GROUPS A, B & C

Introduction

The combined results of general freight carriers are reflected in the tables on the following pages and analyzed in this section. General freight carriers constitute one of the two major sectors of the for-hire regulated trucking industry, the other—specialized carriers—is addressed as Group D in a later section.

All data in this *Analysis* pertain to either Class I or Class II carriers, the revenue classifications assigned by the ICC. Class I carriers generate annual revenues of $5 million or more while Class II carriers have annual revenue levels of between $1 million and $5 million. Class I and II carriers are required to file, at least annually, their results of operations with the ICC and must keep their records in accordance with the ICC's Uniform System of Accounts and thus provide comparable and consistent data, carrier to carrier.

In addition, while entry into the for-hire trucking industry has been substantially eased since the Motor Carrier Act of 1980, an analysis of the results of new firms is not possible. Any new firm, regardless of its expected annual revenues, enters the industry as a Class III concern. It retains this status for a minimum of three years even if its actual revenues during any of the three years exceeds the Class II (or Class I) level. After three years, its revenue class is reassessed based on average annual revenues over this period of time.

In the specific sections covering A, B, C and later D, the past two years of data are shown and analyzed. Additionally, there is a composite of the ABC group with five years of data shown. The 1981 and 1980 figures cover "matched" carriers with the 1979, 1978 and 1977 results brought forward from previous editions of the *Financial Analysis*. Differences in the number of reporting firms in each of these earlier publications result in figures that are not absolutely comparable but nonetheless are indicative of the state of the general freight industry in each respective year.

Operating Performance

All general freight carrier groups were faced with intense competition as a result of the weak economy and the changes in the regulatory structure of the industry. This is reflected in the overall poor operating results of the industry composite. By almost any measure of profitability, earnings in 1981 plummeted, with net income before extraordinary items declining 33.5% to $228 million.

Revenue for the 704 reporting carriers increased 8.2% in 1981 to $18.09 billion. This increase in revenue was not enough to offset a 9.6% increase in operating expenses—the operating ratio thus increased 119 basis points to 97.30.

Revenues increased in spite of a slight decline in total tons transported (1.5%) and only a marginal increase in vehicle miles. A critical variable, the average load, slipped to 13.08 tons from 13.26 tons in 1980 which was, in turn, down from 13.49 tons in 1979. It is interesting to note that in spite of all the speculation during 1981 about widespread rate discounting, the increase in revenue in 1981 appears to be due mostly to rate increases. This is reflected by revenue per ton-mile which increased by 7.4% in 1981 to 18.28 cents. It is an uncomfortable feeling to imagine the 1981 performance without this price improvement.

Although the percentage increase in expenses appears to have only slightly exceeded the percentage increase in revenues (9.6% vs. 8.2%), the impact on the bottom line is severe. In 1980 the composite ratio of earnings before unusual items revenue was only 2.1%. With a further increase in the operating ratio in 1981 of over 100 basis points, profits came close to being eliminated. The 5-year historical figures reveal a disturbing trend. While 1979's operating ratio was slightly higher than that of 1980, there has been an overall margin deterioration in the last few years, certainly when compared to the operating ratio of 94.49 in 1978 and 94.45 in 1977. The almost 3 point rise in operating ratio since 1977 is indicative of the strained financial condition of many firms. The 97.3 operating ratio in 1981 is, in fact, the highest level reached in almost 20 years.

From carrier operating income, various nonoperating additions to and subtractions from income—including interest expense—must be factored in to determine net income before and after taxes. Income before taxes amounted to $379 million, a 26.4% decline from 1980's $515 million. Ordinary income after taxes was $228 million reflecting a 33.5% decline from the prior year.

Of note is the nonoperating effect of the devaluation of operating authorities, predicated on the easing of entry into the industry prompted by the Motor Carrier Act. The write-off of operating authorities in 1980 amounted to a charge (under extraordinary items) of $492 million for the 704 general freight carriers. Final net in 1980, taking into account this write-off, amounted to a net loss of almost $150 million.

The industry in 1981 obtained tax relief** for this extraordinary charge which resulted in an extraordinary tax credit this year of $165 million. Adding this extraordinary credit to ordinary income produces a bottom line final net of $393 million in 1981.

Various ratio measures of profitability confirm the financial deterioration of the general freight carriers. The 1981 profit margin stood at 1.26%, down 38.5% from 2.05% in 1980, and only about one-third the 1977 return of 3.35%. Return on equity (ROE) declined 38.2% to 7.06% from 11.42% in 1980 and is much lower than the 15 and 16% returns achieved in 1977 and 1978. Likewise, the return on total capital has plummeted with the 1981 return of 7.93% much lower than the returns in the 17% range seen in 1977-78; and the return on transportation investment in 1981 of 11.10% is half of recent levels.

Over the past five years, the average size of the summarized firms has increased each year, from an average revenue size of $14.3 million in 1977 to the present $25.7 million (a four-year compound growth rate of 15.8% per year). Using ordinary income after taxes as the income measure, the average carrier in 1981 earned only $320 thousand compared to $490 thousand in both 1980 and 1979, $690 thousand in 1978, and $480 thousand in 1977. Thus, in spite of the sizable rise in average revenue per carrier, the average earnings per carrier have shrunk in absolute dollar terms.

** Carriers could recoup a portion of the dollars written-off, the portion recovered determined by each firm's effective tax rate. The overall portion recovered could not be recouped in a single year but was spread over 5 years. For example, if a carrier wrote-off $10 million in rights and had an effective tax rate of 50%, it would be entitled to recover a total of $5 million over 5 years, or $1 million each year.

To give a further perspective to these aggregate measures of the decline in carrier earnings, 465 of the 704 general freight carriers (66.1%) were profitable at the end of 1981, with 396 firms profitable in both 1980 and 1981. The other 239 carriers (33.9%) were unprofitable in 1981 and, of these, 143 were also unprofitable in 1980.

Liquidity and Leverage

The liquidity of the general freight carriers slipped slightly in 1981 but remains in line with the norms of recent years. From 1980 to 1981 current assets increased 4%, largely due to an increase in cash on hand. Current liabilities, on the other hand, increased by 8.1%, reflecting a 24.6% increase in funded debt due in one year. These relative changes caused a minor deterioration in the current ratio—down from 1.28 in 1980 to 1.23 in 1981, and a lowering of working capital from $601 million to $536 million.

With the large year-to-year increase in operating expenses (9.6%) working capital coverage of cash operating expenses declined almost 20%. Working capital covered over 14 days cash operating expenses in 1980, but coverage in 1981 dropped to 11½ days. It is interesting to note that the lowest level of liquidity during the last 5 years was in 1978, a year which would have to be considered one of the best for the motor carrier industry.

Liquidity as measured by cash flow also deteriorated in 1981 (by 14%) to $865 million from $1 billion in 1980. Current maturities of debt increased substantially by almost $51 million and cash flow coverage of this debt dropped from almost 5 times to just over 3 times. While current debt maturities increased substantially, this does not appear to be an industry trend, but rather the result of debt "restructuring" of a few companies. Debt due after one year declined 3.2% in 1981 to $1.08 billion from the 1980 level of $1.12 billion. Total funded debt increased only 1.1% year to year to $1.34 billion from $1.32 billion. With these changes, cash flow coverage could cover about two-thirds of total debt where in 1980 it covered three-fourths of total debt. In any event, coverage is at a 5-year low in 1981.

There were some additions to carrier operating property in 1981 which, given the excess capacity in the industry, was likely needed simply to replace wholly depreciated units. Carrier property at cost increased 7.6% to $7.41 billion. Net carrier operating property increased only 3.9% to $3.86 billion as the reserve for depreciation increased 12%. Fleet age, as measured by comparing depreciation to property at cost, reveals that, at 47.9% depreciated, the fleet in 1981 is the oldest in the 5-year time span.

Note that general freight carriers are also accessing equipment outside of ownership by using owner-operators. In 1977 purchased transportation expense took 9.4% of the revenue dollar, increasing to 9.8% in 1978, 11.3% in 1979, 11.4% in 1980 and 12.5% in 1981. To some extent, purchased transportation as a percent of revenues understates this growth since revenues have been rising substantially over this time period. In 1981 compared to 1980, expenses for purchased transportation increased 18.9% compared to revenue growth overall of 8.2%.

The general freight carriers were able to increase equity in 1981 by 7.7% to $3.23 billion (almost 72% of this increase would be due to the tax credit). Given the lesser increase in total funded debt, the debt to equity ratio dropped from 1980's 0.44 to 0.41 in 1981. While this is an improvement, it still shows higher leverage than the 0.38 and 0.36 ratios achieved in 1978 and 1977, respectively.

In summary, the general freight carrier group survived a very difficult year in 1981. The lack of strong growth allowed them to postpone acquiring any significant levels of new equipment which, in turn, allowed debt to decline slightly and leverage to improve modestly. This helped to offset the dramatic declines in earnings and helped to soften the impact on cash flow coverage.

As mentioned previously, earnings were effected in 1980 by the write-off of operating rights, and in 1981 by the related tax credits. Unless otherwise stated, the following analyses refers to earnings before these extraordinary items.

Composite Carrier Group A, B & C

	Total Group A				Total Group B				Total Group C	
Number of Carriers	354				235				115	
Year	1981		1980		1981		1980		1981	
Income Statement	$	%	$	%	$	%	$	%	$	%
Income & Expense Data										
Gross Revenues	930.02	100.0	897.14	100.0	2,685.28	100.0	2,474.01	100.0	14,476.94	100.0
Depreciation	34.75	3.7	33.10	3.7	87.01	3.2	82.85	3.3	547.92	3.8
Purchased Transportation	154.83	16.6	145.53	16.2	589.84	22.0	497.53	20.1	1,520.28	10.5
Total Operating Expenses	914.46	98.3	871.08	97.1	2,600.34	96.8	2,378.98	96.2	14,089.66	97.3
Net Carrier Operating Income	15.56	1.7	26.06	2.9	84.94	3.2	95.03	3.8	387.28	2.7
Interest Expense	12.05	1.3	11.06	1.2	31.38	1.2	28.06	1.1	177.20	1.2
Net Income Before Taxes	15.39	1.7	23.48	2.6	72.86	2.7	86.35	3.5	290.76	2.0
Income Taxes—Current	7.68	0.8	8.59	1.0	24.36	0.9	23.35	0.9	150.42	1.0
Deferred Income Taxes	0.59	0.1	0.59	0.1	1.02	0.0	2.37	0.1	11.88	0.1
Equity in Earnings of Affil	0.06	0.0	0.26	0.0	0.79	0.0	0.22	0.0	22.38	0.2
Income Before Extra Items	7.19	0.8	14.55	1.6	48.29	1.8	60.95	2.5	172.88	1.2
Extraordinary Items	0.40	0.0	8.77	1.0	5.24	0.2	42.95	1.7	160.34	1.1
Net Income After Taxes	6.79	0.7	5.79	0.6	53.53	2.0	18.03	0.7	333.22	2.3
Balance Sheet										
Assets										
Cash	49.67	12.5	46.89	12.3	146.15	14.3	112.60	12.0	598.53	9.7
Receivables from Affiliates	11.01	2.8	9.59	2.4	39.17	3.8	48.86	5.0	124.81	2.0
Notes & Accounts Receivable	95.11	24.0	90.32	24.0	220.28	21.5	218.98	22.2	1,083.35	17.5
Prepaid Expenses	12.09	3.1	13.24	3.5	30.39	3.0	30.07	3.1	239.22	3.9
Materials & Supplies	4.96	1.3	5.13	1.3	20.60	2.0	20.59	2.1	158.78	2.6
Other Current Assets	2.48	0.6	1.49	0.4	3.69	0.4	3.69	0.3	56.26	0.9
Total Current Assets	175.32	44.2	173.66	43.7	460.94	45.0	434.23	44.5	2,260.95	36.7
Carrier Operating Property	360.00	90.8	344.08	86.6	968.17	94.6	975.04	93.0	6,081.67	98.5
Reserve for Depreciation	205.79	51.9	188.14	47.4	509.94	49.8	460.66	47.1	2,836.74	45.9
Carrier Operating Property Net	154.21	38.9	155.95	39.3	458.23	44.7	451.37	45.9	3,244.93	52.6
Total Tangible Property	178.82	45.1	178.35	44.9	478.17	46.7	466.57	47.5	3,293.57	53.3
Intangibles	8.04	2.0	8.82	2.2	11.74	1.1	12.98	1.3	43.78	0.7
Other Assets	34.28	8.6	36.49	9.2	73.96	7.2	68.97	6.7	573.51	9.3
Total Assets	396.46	100.0	397.31	100.0	1,024.79	100.0	983.76	100.0	6,173.82	100.0
Liabilities & Equity										
Payables to Affiliates	9.75	2.5	11.17	2.8	35.64	3.5	43.97	4.5	106.31	1.7
Notes Payable	13.49	3.4	11.86	3.0	17.03	1.7	18.06	1.8	15.90	0.3
Accounts Payable	63.41	16.0	61.49	15.5	130.67	12.8	122.65	12.5	527.42	8.5
Misc. Payables & Accruals	11.04	2.8	10.13	2.6	29.56	2.9	24.26	2.5	174.59	2.8
Taxes Payable	6.18	1.6	5.69	1.4	16.07	1.6	15.41	1.6	137.19	2.2
Funded Debt Due Within One Year	19.29	4.9	19.33	4.9	50.32	4.9	53.60	5.4	187.53	3.0
Other Current Liabilities	20.56	5.2	19.31	4.9	71.74	7.0	68.79	7.0	718.26	11.6
Total Current Liabilities	144.72	36.5	139.00	35.0	351.27	34.3	347.35	35.3	1,867.19	30.2
Advances Payable	14.60	3.7	13.12	3.3	35.42	3.5	30.49	4.1	410.60	6.7
Funded Debt Due After One Year	60.26	15.2	64.42	16.2	158.74	15.4	149.67	15.2	863.07	14.0
Total Long Term Debt	74.87	18.9	77.54	19.5	194.16	18.9	180.16	19.3	1,273.67	20.6
Total Funded Debt	79.55	20.1	83.75	21.1	208.61	20.4	204.27	20.7	1,060.60	17.0
Reserves & Est Liabilities	2.47	0.6	3.41	0.6	8.51	0.8	7.83	0.8	139.38	2.3
Accum Deferred Tax Credits	4.80	1.2	4.63	1.2	26.29	2.6	29.37	3.0	273.60	4.4
Total Liabilities	226.86	57.2	223.57	56.3	579.73	56.6	574.81	58.4	3,553.83	57.6
Stockholder's Equity	169.60	42.8	173.74	43.7	445.03	43.4	408.95	41.6	2,619.98	42.4
Total Capital	244.47	61.7	251.28	63.2	638.99	62.3	599.11	60.9	3,893.65	63.1
Total Liabilities & Equity	396.46	100.0	397.31	100.0	1,024.76	100.0	983.76	100.0	6,173.82	100.0

Analytical Data	Total Group A 1981	1980	Total Group B 1981	1980	Total Group C 1981
Operating Performance					
Gross Revenues to Equity	5.48	5.16	6.03	6.05	5.53
Gross Revenues to Total Capital	3.80	3.57	4.20	4.13	3.72
Gross Revenues to Net Carr Oper Prop	6.03	5.75	5.86	5.48	4.46
Gross Revenues to Carr Oper Prop (Cost)	2.58	2.61	2.77	2.70	2.38
Pre-Tax Income to Gross Revenues %	1.66	2.62	2.71	3.49	2.01
Pre-Tax Income to Total Capital %	6.30	9.35	11.41	14.41	7.47
After Tax Income to Gross Revenues %	0.73	1.62	1.99	2.46	1.19
After Tax Income to Equity %	4.24	8.38	10.85	11.91	6.60
Return on Transportation Investment %	8.42	13.67	13.96	17.53	10.64
Expense Ratio %	99.62	98.33	98.01	97.29	98.55
Operating Ratio %	98.33	97.10	96.84	96.16	97.32
Average Revenue Per Carrier	2.63	2.53	11.43	10.53	125.89
Net Income Per Carrier	0.02	0.04	0.21	0.26	1.50
Liquidity					
Cash Throw Off: Dollars	42.46	47.98	135.53	145.98	686.54
Working Capital: Dollars	30.59	34.66	109.67	90.79	395.77
Current Ratio	1.21	1.25	1.31	1.26	1.21
Days Cash Oper Exp in Work Cap	12.65	15.06	15.87	14.37	10.54
Average Days Collection Period	37.33	38.78	30.01	32.17	27.31
Leverage & Debt Service					
Funded Debt to Equity	0.47	0.48	0.47	0.50	0.40
Net Debt to Equity	0.17	0.17	0.11	0.14	0.18
Funded Debt to Tangible Net Worth	0.49	0.51	0.48	0.51	0.41
Cash Throw to Funded Debt Due in One Year %	220.1o	248.23	269.09	272.36	366.10
Cash Throw to Total Funded Debt %	53.38	57.29	64.97	71.82	65.35
Interest to Total Funded Debt %	15.15	13.21	15.04	13.81	16.91
Carrier Property (Net) to Equity	0.91	0.90	1.03	1.10	1.24
Additional Ratios					
Receivables to Payables	1.22	1.30	1.49	1.55	1.99
Deprec to Debt Due in One Year	1.80	1.71	1.73	1.55	2.92
Total Tang Prop to Equity	1.05	1.03	1.07	1.14	1.26
Income Before Extra Items Etc to Equity %	4.24	8.38	10.85	14.92	6.66
Gross Revenues to Total Tang Prop	5.20	5.03	5.62	5.30	4.40
Productivity Measures (Int-Cty Carr Only)					
Total Payroll to Revenues %	33.27	34.62	34.33	35.85	39.51
Total Payroll (WPT) to Revenues %	48.77	48.95	52.12	51.83	49.93
Cargo Handler Compen to Revenues %	3.64	4.07	5.33	5.86	8.28
Linehaul Expenses to Revenues %	39.71	37.69	43.45	41.61	42.42
Revenue Per Ton-Mile: Cents	21.31	21.10	19.33	17.87	18.03
Average Load: Tons	9.49	9.47	11.44	11.96	13.52
Total Tons: Thous	13,863.99	14,626.10	38,365.09	39,155.63	126,447.25
Total Miles: Thous	260,568.16	255,745.99	912,097.30	861,997.21	5,521,805.35

Dollar Amounts in Millions

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1980		Total A B & C 704 1981		704 1980		721 1979		857 1978		963 1977	
$	%	$	%	$	%	$	%	$	%	$	%
13 345 34	100 0	18 092 24	100 0	16 716 49	100 0	16 384 14	100 0	18 328 35	100 0	13 777 94	100 0
525 47	3 9	669 68	3 7	641 42	3 8	599 40	3 7	628 43	3 4	485 92	3 6
1 261 18	9 5	2 264 95	12 5	1 904 34	11 4	1 854 44	11 3	1 790 84	9 8	1 293 44	9 4
12 816 39	96 0	17 604 46	97 3	16 066 45	96 1	15 787 61	96 4	17 319 37	94 5	13 014 65	94 5
528 94	4 0	487 78	2 7	480 03	3 9	596 53	3 6	1 008 98	5 5	763 30	5 5
159 60	1 2	221 10	1 2	198 73	1 2	167 82	1 0	133 71	0 7	100 39	0 7
405 26	3 0	379 02	2 1	515 09	3 1	505 73	3 1	967 72	5 6	717 51	5 2
122 21	0 9	182 46	1 0	154 15	0 9	141 78	0 9	293 25	1 6	252 86	1 8
39 75	0 3	10 27	0 1	42 70	0 3	39 19	0 2	64 89	0 4	32 27	0 3
20 11	0 2	23 23	0 1	20 59	0 1	28 32	0 2	45 64	0 2	38 27	0 3
267 63	2 0	228 36	1 3	343 16	2 1	356 51	2 2	N A	N A	N A	N A
448 91	3 3	165 18	0 9	492 63	2 9	2 88	0 0	N A	N A	N A	N A
173 58	1 3	393 54	2 2	149 47	0 9	359 39	2 2	594 62	3 2	462 83	3 4
548 05	9 2	794 36	10 5	714 54	9 8	532 60	7 1	784 41	8 8	602 65	9 4
99 86	1 7	174 99	2 3	158 31	2 2	144 01	1 9	155 34	1 9	146 64	2 3
1 101 49	18 6	1 399 84	18 4	1 414 89	19 4	1 416 86	18 9	1 491 81	16 6	1 112 69	17 4
222 73	3 8	281 40	3 7	266 04	3 6	253 51	3 4	764 52	3 3	224 63	3 5
162 55	2 7	184 40	2 4	186 28	2 6	185 40	2 5	135 93	1 7	105 84	1 7
40 49	0 7	64 23	0 8	45 00	0 6	30 51	0 4	29 39	0 4	24 80	0 4
2 175 17	36 7	2 899 21	38 2	2 787 06	38 1	2 564 88	34 2	2 781 42	34 7	2 217 26	34 7
5 626 47	94 9	7 409 84	97 6	6 885 59	94 2	6 555 26	87 5	7 025 75	87 7	5 478 77	85 8
2 519 99	42 5	3 552 47	46 8	3 171 38	43 4	2 920 07	39 0	3 275 30	40 9	2 600 79	40 7
3 106 49	52 4	3 857 38	50 8	3 713 81	50 8	3 635 19	48 5	3 750 44	46 8	2 877 98	45 1
3 156 20	53 3	3 950 52	52 0	3 801 53	52 0	3 725 25	49 7	3 840 86	48 0	2 952 67	46 2
36 19	0 6	63 56	0 8	57 59	0 8	51 07	0 6	486 42	6 1	411 34	6 4
558 40	9 4	681 75	9 0	660 83	9 0	683 69	9 1	898 15	11 2	803 97	12 6
5 925 96	100 0	7 595 04	100 0	7 307 03	100 0	7 490 90	100 0	8 006 85	100 0	6 385 24	100 0
97 25	1 6	151 20	2 0	152 39	2 1	80 99	1 1	93 47	1 2	82 75	1 3
11 51	0 2	47 42	0 6	41 45	0 6	32 72	0 4	37 08	0 5	39 27	0 6
504 67	8 5	721 70	9 5	689 91	9 4	739 16	9 9	762 51	9 5	606 64	9 5
174 19	2 9	215 19	2 8	209 08	2 9	208 06	2 8	250 58	3 1	172 78	2 7
124 47	2 1	159 43	2 1	145 58	2 0	179 28	1 6	192 94	2 4	142 53	2 2
133 45	2 3	257 18	3 4	206 18	2 8	205 52	2 7	204 00	2 5	170 78	2 7
653 63	11 0	810 56	10 7	741 74	10 2	685 52	9 2	780 43	9 7	531 66	8 3
1 699 18	28 7	2 363 19	31 1	2 185 63	29 9	2 071 35	27 7	2 321 03	29 0	1 746 41	27 4
402 76	6 8	460 62	6 1	456 37	6 2	415 56	5 5	404 30	5 0	239 00	3 7
900 65	15 2	1 081 57	14 2	1 117 74	15 3	1 226 63	16 4	1 138 94	14 2	932 94	14 6
1 306 41	22 0	1 542 19	20 3	1 574 11	21 5	1 642 19	21 9	1 543 24	19 3	1 171 94	18 4
1 037 10	17 5	1 338 76	17 6	1 324 12	18 1	1 432 15	19 1	1 342 95	16 8	1 103 72	17 0
109 39	1 8	150 35	2 0	119 63	1 6	104 34	1 4	113 03	1 4	123 64	1 0
389 56	6 6	304 69	4 0	523 56	5 8	389 25	5 2	455 96	5 7	322 40	5 0
3 504 54	59 1	4 360 42	57 4	4 402 92	58 9	4 207 17	56 2	4 433 26	55 4	3 364 40	52 7
2 421 41	40 9	3 234 62	42 6	3 063 10	41 1	3 283 72	43 8	3 573 59	44 6	3 020 85	47 3
3 727 83	62 9	4 776 81	62 5	4 576 22	62 7	4 925 92	65 8	5 116 82	3 5	4 192 79	65 0
5 925 96	100 0	7 595 04	100 0	7 307 03	100 0	7 490 90	100 0	8 006 85	100 0	6 385 24	100 0

1980	Total A B & C 1981	1980	1979	1978	1977
5 51	5 59	5 56	4 99	5 13	4 56
3 58	3 79	3 65	3 33	3 58	8 28
4 30	4 69	4 50	4 51	4 89	4 78
2 37	2 44	2 43	2 50	2 61	2 51
3 04	2 09	3 08	3 09	4 95	5 20
10 87	7 93	11 25	10 29	17 74	17 11
2 01	1 26	2 05	2 18	3 24	3 35
11 05	7 06	11 42	10 86	16 64	15 32
14 76	11 10	15 06	14 45	23 96	22 79
97 23	98 53	97 30	97 38	96 22	95 18
96 04	97 30	96 17	96 36	94 49	94 45
116 05	25 70	29 75	22 72	21 39	14 31
2 33	0 32	0 49	0 49	0 69	0 48
812 74	864 53	1 006 70	966 69	1 242 29	959 75
475 99	536 02	601 43	493 54	460 40	470 85
1 28	1 23	1 24	1 24	1 20	1 26
14 10	11 52	14 19	11 82	10 03	13 67
30 13	28 23	40 89	31 61	29 71	29 47
0 43	0 41	0 44	0 44	0 38	0 36
0 18	0 17	0 17	0 22	0 19	0 15
0 43	0 42	0 45	0 52	0 44	0 42
609 01	336 15	487 39	470 36	608 95	561 97
78 37	64 58	76 83	67 50	92 51	86 95
15 39	16 52	15 01	11 72	9 96	9 09
1 28	1 19	1 24	1 11	1 05	0 95
2 13	1 82	1 93	1 84	1 87	1 72
3 94	2 60	3 11	2 92	3 08	2 90
1 30	1 22	1 27	1 13	1 07	0 97
10 88	7 11	11 28	10 79	16 64	15 34
4 23	4 58	4 40	4 40	4 77	4 66
40 19	38 65	39 45	40 21	41 72	41 69
49 58	50 17	49 84	51 29	51 39	51 55
8 44	7 75	7 97	8 27	8 54	8 55
41 65	42 46	41 50	41 85	39 31	39 43
16 76	18 28	17 01	14 83	13 57	13 58
13 64	13 08	13 26	13 49	13 44	13 51
127 669 33	178 776 33	181 451 07	225 822 37	245 737 61	N A
5 488 316 38	6 694 470 81	6 606 059 58	7 503 486 52	7 820 545 09	N A

CARRIER GROUP A

Group A consists of 354 general freight carriers with annual revenues of less than $5 million. Fourteen of these carriers had revenues under $1 million, with the remainder reporting in the $1-5 million range. Numerically, Group A represents 50.3% of the general freight carriers included in this report but on a revenue basis they are only 5.1% of the total. Over half the carriers, numerically and by revenue, were concentrated in the Middle Atlantic, Central and Southern regions.

Operating Performance

In the aggregate, revenues for Group A in 1981 increased marginally by 3.7% to $930 million. This increase was not sufficient to keep pace with a modest 5% increase in operating expenses; consequently, the operating ratio rose 123 basis points to 98.33. Operating income declined 40.3% to $15.6 million.

While the 3.7% increase in revenues was lower than the 8.2% gain for the total ABC composite, several regions in Group A posted significantly greater or lesser growth. Carriers in the Southwestern and New England regions reported revenue gains of 12.2% and 11.4% respectively, while the Northwestern and the Central regions both posted revenue declines of 1.9%.

For the Group as a whole, tonnage was off 5.2% with mileage gaining 1.9%. Revenue per ton-mile was virtually unchanged at 21.31¢ versus 21.10¢, reflecting the keen competition to obtain the available freight. Although total payroll (with purchased transportation) increased in dollars, it decreased minimally to 48.77% of revenue from 48.95% in 1980. Linehaul expenses, however, increased 5.4% year to year; this factor alone would have increased the operating ratio over 200 basis points.

Although carriers in all regions showed an aggregate deterioration in the operating ratio, the greatest declines in net carrier operating income came from the Middle Atlantic and Central areas, where income fell 76.4% and 94.4% respectively. In contrast, carriers in the Southwestern region, with a strong 12.2% revenue increase, boasted a 92.74 operating ratio.

Continued high interest rates for Group A ($12.05 million in 1981, $11.06 million in 1980) almost totally eliminated income, pushing the expense ratio to 99.62%. Only nonoperating income of approximately $11.8 million helped Group A achieve a rather weak 0.8% after tax return of $7.2 million, a 51% reduction from 1980. This "other income" was not common to all Carrier A regions; over 60% was reported by the Mid-Atlantic and Pacific groups.

Over 35% of the companies posted a loss in 1981, while 30% of the profitable carriers reported lower earnings. Two regions—Central and Northwestern—reported net losses in 1981. This was the second loss-year in a row for the Central region. Only the Southwestern region with a 3.1% margin and the Southern region with a 1.7% margin outperformed the general freight composite of 1.3%.

The poor performance of the group was also apparent in the 4.2% return on equity and the 8.4% return on transportation investment. Such returns are indicative of the difficult financial position of this group of smaller carriers.

Liquidity

For 1981, the group's liquidity position deteriorated with cash flow, working capital, current ratio and days operating expenses in working capital all down.

Cash flow declined 11.5% to $42.46 million reflecting reduced income. Large declines were seen in the Rocky Mountain region, 35.5%; the Middle Atlantic region, 21.1%; the Pacific region, 19.0%; and the Northwestern region, 17.7%. Gains were seen in the Southwestern and New England regions.

The current ratio remained at an adequate level of 1.21 and average days collection period actually improved to 37.33 from 38.78 in 1980. However, working capital and days cash operating expenses in working capital declined 11.7% and 16.0%. New England, Central and Rocky Mountain reported negative working capital positions.

Leverage and Debt Service

For carrier Group A, total funded debt declined 5.1% and stockholders' equity dropped 2.4% in 1981. Total funded debt declined in the Northwest, Southern, New England, Middle Atlantic, Central and Rocky Mountain regions. Compared to the composite of all general freight carriers, funded debt to equity for Group A of .47 is slightly on the high side but did not increase from 1980. Within Group A there was a wide variance in the degrees of leverage. The highest funded debt to equity level was reported by the Middlewestern region (.71) and the lowest by the Rocky Mountain region (.23). The greatest improvement in leverage was reported by the New England region, where funded debt to equity declined by 20%. This region, however, continues to operate at the high level of .65 to 1.

It is interesting to note that for the aggregate group, none of the $6.8 million of after tax earnings remained in equity. In fact, stockholders' equity was $4.1 million lower at the end of 1981 than at year-end 1980. The Mid-Atlantic region seems largely responsible for this aberration since stockholders' equity for the 73 carriers declined $5.4 million in spite of earnings of $1.6 million.

Cash flow to funded debt due within one year declined to 2.2 times, an 11.3% drop from 1980. This is considerably less than the industry composite of 3.36 times. Even though funded debt due within one year dropped significantly in many regions (except the Southern region), net income and depreciation were not high enough to improve coverage. Very low coverage was seen in the Northwestern region, (1.19 times) and in the Central region (1.38 times). Cash flow to total funded debt declined to 53.38% from the 1980 level of 57.29%. Theoretically, it would take the group 22½ months to amortize all funded debt using total cash flow.

While 1981 levels of cash flow appear sufficient to amortize existing debt, Group A's equipment fleet (at 57% depreciated) is considerably older than the ABC composite (47.9% depreciated). Only the Southwestern fleet at 44.8% depreciated is newer than the general freight composite. For the aggregate Group A, only 46% of depreciation was reinvested in equipment in 1981.

In summary, Group A carriers experienced sharply lower profitability due to higher costs and weak volume. Although there was a decline in liquidity, debt service ability appears adequate.

CARRIER GROUP B

This group includes 235 Class I general freight carriers by ICC region with annual revenues between $5 million and $25 million. These medium-size carriers were previously part of Group C but in order to make the *Analysis* more meaningful, a separate category was established. As with the other carrier groups, identical companies are included in 1981 and 1980 to ensure comparability.

Group B carriers represented 14.8% of revenues of the general freight carrier composite and 21.1% of net after tax income (before extraordinary items). Three regions—Central, Southern and Pacific—accounted for over half the revenues of the group.

Operating Performance

In 1981 the carriers in Group B reported a moderate 8.5% increase in revenues to $2.69 billion. This increase, however, was more than offset by a 9.3% increase in operating expenses, resulting in a 68 basis point increase in the operating ratio to 96.84%. After an 11.8% rise in interest expense, Group B earned $72.9 million before taxes, only 15.6% less than in 1980. The after tax (before extraordinary items) margin of 1.8% was an improvement over the 1.3% ABC composite margin. While results were down from the previous year, this performance was the best among the general freight carrier groups.

Linehaul expenses to revenues alone accounted for a 184 basis point increase in the operating ratio. The results of Group B thus show excellent cost control in other areas. The group's use of purchased transportation increased 18.6% in 1981, amounting to 22.0% of revenues. Among the general freight groups, B carriers relied most heavily on rented equipment, which appears to have helped them in controlling costs.

Within Group B, six regions had revenue increases exceeding the group average, with the Southwestern and Rocky Mountain regions posting large gains, (19.0% and 14.7% respectively). In fact, all 13 of the carriers in the Southwestern region reported higher revenues, as did 10 of the 12 carriers in the Rocky Mountain region.

None of the regions showed losses for the year, with the Southwestern region reporting an impressive 27.7% increase in profits and a 5.5% after tax margin.

Both return on equity (ROE) and return on transportation investment (ROTI) dropped in 1981 to 10.85% and 14.96% respectively due to lower carrier operating income. However, these ratios were higher than the industry composite ROE of 7.06% and ROTI of 11.10%.

Liquidity

By all indicators except cash flow, liquidity for carrier Group B in 1981 improved. Working capital levels increased 20.8% with increases in cash having the most significant effect. The current ratio also rose from 1.26 to 1.31, an acceptable level. Days cash operating expenses in working capital improved to 15.87 days, much better than the total industry composite of 11.52. Average days collection period improved to 30.01 days from 32.17 with the lowest figure, 25.25—a 24% drop—registered by the Rocky Mountain region. The longest collection period existed in the Southwestern region, rising to 38.44 days.

Leverage

The funded debt to equity ratio of Group B was reduced in 1981 to .47, the same as Group A carriers, but carriers in Group B are still more leveraged than the larger carriers of Group C. In dollars, total funded debt increased 2.6% with equity up 8.8%. The most highly leveraged group was the Rocky Mountain carriers with a funded debt to equity of 106%, followed by the Northwestern and Central carriers at 83% and 70%, respectively. These levels are significantly higher than the ABC composite of .41.

At 269%, the coverage of cash flow to funded debt due in one year appears adequate, though it is moderately below the composite of 336%. Both the Southwestern and Middlewestern regions exceeded the coverage of the ABC composite, while the Central region at 193% showed the poorest coverage. Furthermore, if it were possible to apply all cash flow to total funded debt, Group B could repay the debt in less than nineteen months.

In summary, Group B carriers have held their own in a difficult business environment, although like those in the other carrier groups, they have experienced reduced profitability.

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Carrier Group A

Region Number	1				2				3				4			
Region	New England				Middle Atlantic				Central				Southern			
Number of Carriers	27				73				70				62			
Year	1981		1980		1981		1980		1981		1980		1981		1980	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data																
Gross Revenues	65 21	100 0	58 55	100 0	176 80	100 0	174 30	100 0	164 60	100 0	167 72	100 0	182 84	100 0	168 03	100 0
Depreciation	2 04	3 1	1 88	3 2	6 49	3 7	6 55	3 8	6 49	3 9	6 37	3 8	7 86	4 3	7 33	4 4
Purchased Transportation	5 13	7 9	3 95	6 7	25 77	14 6	26 89	15 4	28 10	17 1	28 17	16 8	29 97	16 4	25 13	15 0
Total Operating Expenses	64 25	98 5	57 47	98 1	175 55	99 3	169 03	97 0	164 57	100 0	167 14	99 7	176 66	96 7	159 33	94 8
Net Carrier Operating Income	0 96	1 5	1 09	1 9	1 24	0 7	5 27	3 0	0 03 -	0 0	0 58	0 3	5 98	3 3	8 70	5 2
Interest Expense	0 78	1 2	0 79	1 4	1 99	1 1	1 89	1 1	2 45	1 5	2 06	1 2	1 97	1 1	1 89	1 1
Net Income Before Taxes	0 50	0 8	0 47	0 8	2 50	1 4	5 17	3 0	0 74 -	0 4 -	0 64 -	0 4 -	5 22	2 9	7 48	4 5
Income Taxes—Current	0 09	0 1	0 06	0 1	0 80	0 5	1 33	0 8	0 97	0 6	1 02	0 6	2 25	1 2	2 67	1 6
Deferred Income Taxes	0 03	0 0	0 06 -	0 1 -	0 14	0 1	0 27	0 2	0 00	0 0	0 04	0 0	0 00	0 0	0 03	0 0
Equity in Earnings of Affil	0 00	0 0	0 00	0 0	0 08 -	0 0	0 20	0 1	0 02	0 0	0 10 -	0 1 -	0 06	0 0	0 08	0 1
Income Before Extra Items	0 38	0 6	0 45	0 8	1 48	0 8	3 75	2 2	1 68 -	1 0 -	1 80 -	1 1 -	3 04	1 7	4 86	2 9
Extraordinary Items	0 00	0 0	0 84 -	1 4 -	0 09	0 1	2 61 -	1 5 -	0 02 -	0 0	1 32 -	0 8 -	0 54 -	0 3 -	1 58 -	0 9 -
Net Income After Taxes	0 38	0 6	0 39 -	0 7 -	1 57	0 9	1 14	0 7	1 70 -	1 0 -	3 12 -	1 9 -	2 50	1 4	3 28	2 0
Balance Sheet																
Assets																
Cash	1 93	9 4	1 87	9 2	13 05	16 5	15 22	17 6	6 51	9 7	6 15	8 7	9 12	11 5	8 62	11 4
Receivables from Affiliates	0 93	4 5	0 86	4 2	5 30	6 7	5 02	5 8	1 17	1 7	0 61	0 9	1 49	1 9	0 72	1 0
Notes & Accounts Receivable	5 39	26 4	5 25	25 8	17 49	22 1	16 55	19 1	18 38	27 3	19 84	28 2	19 00	24 0	18 94	25 1
Prepaid Expenses	0 63	3 1	0 66	3 3	2 34	2 9	2 83	3 3	2 14	3 2	2 90	4 1	2 25	2 9	2 43	3 2
Materials & Supplies	0 38	1 9	0 38	1 9	0 95	1 2	1 07	1 2	0 90	1 3	0 95	1 4	1 08	1 4	1 09	1 4
Other Current Assets	0 01	0 0	0 02	0 1	0 14	0 2	0 06	0 1	1 63	2 4	0 89	1 3	0 10	0 1	0 12	0 2
Total Current Assets	9 27	45 3	9 05	44 5	39 27	49 5	40 75	47 0	30 72	45 7	31 34	44 6	33 04	41 8	31 92	42 2
Carrier Operating Property	22 32	109 3	21 46	105 5	68 71	86 7	67 70	78 2	64 81	96 4	66 34	94 3	80 10	101 4	74 35	98 3
Reserve for Depreciation	13 80	67 5	12 63	62 1	40 93	51 6	38 10	44 0	38 02	56 6	36 06	51 3	44 86	56 8	40 13	53 1
Carrier Operating Property Net	8 52	41 7	8 83	43 4	27 78	35 0	29 60	34 2	26 79	39 9	30 28	43 1	35 24	44 6	34 21	45 3
Total Tangible Property	8 88	43 5	9 19	45 2	28 74	36 2	30 70	35 4	29 48	43 9	31 92	45 4	39 22	49 6	36 87	48 8
Intangibles	0 58	2 8	0 52	2 5	1 20	1 5	1 49	1 7	2 48	3 7	2 45	3 5	1 82	2 3	2 28	3 0
Other Assets	1 71	8 4	1 57	7 7	10 08	12 7	13 69	15 8	4 52	6 7	4 61	6 6	4 93	6 2	4 52	6 0
Total Assets	20 43	100 0	20 33	100 0	79 28	100 0	86 62	100 0	67 20	100 0	70 32	100 0	79 01	100 0	75 60	100 0
Liabilities & Equity																
Payables to Affiliates	1 72	8 4	1 84	9 0	2 21	2 8	3 90	4 5	2 31	3 4	2 51	3 6	1 02	1 3	0 63	0 8
Notes Payable	0 79	3 9	0 68	3 3	1 32	1 7	1 25	1 4	4 82	7 2	4 23	6 0	1 47	1 9	1 19	1 6
Accounts Payable	3 45	16 9	3 48	17 1	12 45	15 7	11 74	13 6	13 78	20 5	13 45	19 1	13 28	16 8	12 42	16 4
Misc. Payables & Accruals	0 58	2 9	0 51	2 5	2 38	3 0	2 12	2 4	1 55	2 3	1 63	2 3	1 65	2 1	0 99	1 3
Taxes Payable	0 29	1 4	0 30	1 5	1 08	1 4	0 88	1 0	1 30	1 9	1 20	1 7	1 00	1 3	1 43	1 9
Funded Debt Due Within One Year	1 40	6 9	1 58	7 8	2 96	3 7	3 26	3 8	3 46	5 1	3 98	5 7	4 83	6 1	4 12	5 5
Other Current Liabilities	1 65	8 1	1 60	7 9	5 78	7 3	4 99	5 8	4 27	6 4	4 46	6 3	1 52	1 9	1 32	1 7
Total Current Liabilities	9 89	48 4	9 99	49 1	28 17	35 5	28 14	32 5	31 49	46 9	31 45	44 7	24 77	31 4	22 10	29 2
Advances Payable	0 53	2 6	0 55	2 7	1 48	1 9	1 44	1 7	2 32	3 5	1 68	2 4	1 17	1 5	1 23	1 6
Funded Debt Due After One Year	2 98	14 6	3 43	16 9	10 81	13 6	12 57	14 5	9 42	14 0	10 97	15 6	10 01	12 7	11 23	14 9
Total Long Term Debt	3 51	17 2	3 98	19 6	12 29	15 5	14 01	16 2	11 74	17 5	12 66	18 0	11 17	14 1	12 46	16 5
Total Funded Debt	4 39	21 5	5 01	24 6	13 77	17 4	15 84	18 3	12 88	19 2	14 96	21 3	14 84	18 8	15 35	20 3
Reserves & Est Liabilities	0 22	1 1	0 16	0 8	0 97	1 2	1 21	1 4	0 54	0 8	0 32	0 5	0 08	0 1	0 09	0 1
Accum Deferred Tax Credits	0 06	0 3	0 04	0 2	1 43	1 8	1 43	1 7	0 49	0 7	0 48	0 7	0 93	1 2	0 74	1 0
Total Liabilities	13 69	67 0	14 17	69 7	42 87	54 1	44 80	51 7	44 27	65 9	44 90	63 8	36 96	46 8	35 38	46 8
Stockholder's Equity	6 74	33 0	6 16	30 3	36 41	45 9	41 82	48 3	22 92	34 1	25 42	36 2	42 05	53 2	40 22	53 2
Total Capital	10 25	50 2	10 14	49 9	48 70	61 4	55 83	64 5	34 67	51 6	38 08	54 2	53 23	67 4	52 68	69 7
Total Liabilities & Equity	20 43	100 0	20 33	100 0	79 28	100 0	86 62	100 0	67 20	100 0	70 32	100 0	79 01	100 0	75 60	100 0
Analytical Data	New England				Middle Atlantic				Central				Southern			
	1981		1980		1981		1980		1981		1980		1981		1980	
Operating Performance																
Gross Revenues to Equity	9 67		9 50		4 86		4 17		7 18		6 60		4 35		4 18	
Gross Revenues to Total Capital	6 36		5 77		3 63		3 12		4 75		4 40		3 44		3 19	
Gross Revenues to Net Carr Oper Prop	7 65		6 63		6 36		5 89		6 15		5 54		5 19		4 91	
Gross Revenues to Carr Oper Prop (Cost)	2 92		2 73		2 57		2 57		2 54		2 53		2 28		2 26	
Pre-Tax Income to Gross Revenues, %	0 76		0 81		1 41		2 96		0 45 -		0 38 -		2 86		4 45	
Pre-Tax Income to Total Capital, %	4 84		4 67		5 13		9 25		2 12 -		1 67 -		9 81		14 20	
After Tax Income to Gross Revenues, %	0 58		0 76		0 84		2 15		1 02 -		1 07 -		1 66		2 89	
After Tax Income to Equity, %	5 57		7 27		4 07		8 97		7 33 -		7 09 -		7 22		12 09	
Return on Transportation Investment, %	12 16		13 75		3 20		12 49		0 12 -		1 91 -		13 75		19 74	
Expense Ratio, %	99 72		99 50		100 42		98 06		101 47		100 88		97 81		95 95	
Operating Ratio, %	98 53		98 15		99 30		96 98		99 98		99 66		96 73		94 83	
Average Revenue Per Carrier	2 42		2 17		2 42		2 39		2 35		2 40		2 95		2 71	
Net Income Per Carrier	0 01		0 02		0 02		0 05		0 02 -		0 03 -		0 05		0 08	
Liquidity																
Cash Throw Off, Dollars	2 44		2 27		8 18		10 37		4 78		4 71		10 84		12 14	
Working Capital, Dollars	0 63 -		0 94 -		11 09		12 61		0 77 -		0 11 -		8 27		9 83	
Current Ratio	0 94		0 91		1 39		1 45		0 98		1 00		1 33		1 44	
Days Cash Oper Exp in Work Cap	3 68 -		6 15 -		23 88		28 24		1 77 -		0 24		17 80		23 53	
Average Days Collection Period	30 19		32 73		36 10		34 66		40 75		43 18		37 93		41 14	
Leverage & Debt Service																
Funded Debt to Equity	0 65		0 81		0 38		0 38		0 56		0 59		0 35		0 38	
Net Debt to Equity	0 54		0 71		0 01		0 00		0 44		0 44		0 04		0 03	
Funded Debt to Tangible Net Worth	0 71		0 89		0 39		0 39		0 63		0 65		0 37		0 40	
Cash Throw to Funded Debt Due in One Year, %	173 83		143 95		276 29		317 61		138 40		118 25		224 36		294 28	
Cash Throw to Total Funded Debt, %	55 63		45 43		89 42		65 47		37 15		31 49		75 04		79 06	
Interest to Total Funded Debt, %	17 78		15 86		14 47		11 94		19 03		13 77		13 31		12 34	
Carrier Property (Net) to Equity	1 26		1 43		0 76		0 71		1 17		1 19		0 84		0 85	
Additional Ratios																
Receivables to Payables	1 27		1 26		1 27		1 27		0 99		1 12		1 29		1 39	
Deprec to Debt Due in One Year	1 45		1 19		2 19		2 01		1 88		1 60		1 63		1 78	
Total Tang Prop to Equity	1 32		1 49		0 79		0 73		1 29		1 26		0 93		0 92	
Income Before Extra Items Etc to Equity, %	5 57		7 27		4 07		8 99		7 33 -		7 09 -		7 22		12 09	
Gross Revenues to Total Tang Prop	7 34		6 37		6 15		5 68		5 58		5 26		4 66		4 56	
Productivity Measures (Int-Cty Carr Only)																
Total Payroll to Revenues, %	43 74		44 23		32 05		31 73		36 73		37 85		30 81		32 61	
Total Payroll (WPT) to Revenues, %	51 04		50 32		50 88		51 22		50 94		52 73		44 42		44 18	
Cargo Handler Compen to Revenues, %	5 76		6 45		3 77		3 47		3 59		4 40		3 29		3 70	
Linehaul Expenses to Revenues, %	7 74		8 21		39 19		34 16		42 51		42 06		38 12		35 70	
Revenue Per Ton-Mile, Cents	33 74		41 47		21 76		21 01		21 04		20 13		19 13		19 23	
Average Load, Tons	6 44		5 06		9 36		9 01		9 27		10 07		9 68		9 72	
Total Tons, Thous	929 65		813 02		2 681 37		2 926 08		2 343 01		2 696 47		3 701 45		3 882 07	
Total Miles, Thous	17 601 37		16 291 19		48 083 13		51 275 06		45 900 12		48 340 22		71 247 37		65 088 41	

Dollar Amounts in Millions

BEST AVAILABLE COPY

5 Northwestern 18				6 Middlewestern 25				7 Southwestern 14				8 Rocky Mountain 11				9 Pacific 54				Total All Regions 354			
1981		1980		1981		1980		1981		1980		1981		1980		1981		1980		1981		1980	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
43.57	100.0	44.40	100.0	72.65	100.0	67.54	100.0	49.79	100.0	44.39	100.00	30.25	100.0	28.29	100.0	144.32	100.0	143.92	100.0	930.02	100.00	897.14	100.0
1.64	3.8	1.61	3.6	2.48	3.4	2.30	3.4	2.40	4.8	1.72	3.9	1.11	3.7	1.13	4.0	4.26	2.9	4.21	2.9	34.75	3.7	33.10	3.7
9.68	22.2	8.69	19.6	13.10	18.0	11.61	17.2	7.03	14.1	6.53	14.7	6.36	21.0	4.85	17.1	29.89	20.6	29.79	20.7	154.83	16.6	145.63	16.2
43.09	98.9	43.56	98.1	71.44	98.3	66.33	98.2	46.18	92.7	40.85	92.0	29.57	97.8	27.24	96.3	142.95	99.1	140.12	97.4	914.46	98.3	871.08	97.1
0.48	1.1	0.84	1.9	1.21	1.7	1.21	1.8	3.62	7.3	3.54	8.0	0.67	2.2	1.05	3.7	1.37	0.9	3.79	2.6	15.56	1.7	26.06	2.9
0.72	1.7	0.75	1.7	0.90	1.2	0.79	1.2	0.86	1.7	0.62	1.4	0.28	0.9	0.28	1.0	2.69	1.4	1.98	1.4	12.05	1.3	11.06	1.2
0.03	0.1	0.36	0.8	0.64	0.9	0.84	1.2	2.83	5.7	2.95	6.7	0.96	3.2	1.61	5.7	3.45	2.4	5.24	3.6	15.39	1.7	23.48	2.6
0.21	0.5	0.20	0.5	0.24	0.3	0.20	0.3	0.94	1.9	0.71	1.6	0.65	2.2	0.54	1.9	1.53	1.1	1.83	1.3	7.68	0.8	8.59	1.0
0.02	0.0	0.05	0.1	0.03 -	0.0	0.03	0.0	0.35	0.7	0.06	0.1	0.00	0.0	0.09	0.3	0.09	0.1	0.08	0.1	0.59	0.1	0.59	0.1
0.04	0.1	0.01 -	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.02	0.0	0.09	0.1	0.06	0.0	0.26	0.0
0.16 -	0.4 -	0.10	0.2	0.43	0.6	0.61	0.9	1.54	3.1	2.18	4.9	0.32	1.0	0.99	3.5	1.84	1.3	3.41	2.4	7.19	0.8	14.55	1.6
0.04 -	0.1 -	0.20 -	0.5	0.02	0.0	0.90 -	1.3 -	0.07 -	0.1 -	0.34 -	0.8 -	0.25	0.8	0.17 -	0.6 -	0.08 -	0.1 -	0.80	0.6 -	0.40 -	0.0	8.77 -	1.0 -
0.20 -	0.5 -	0.10 -	0.2	0.45	0.6	0.29 -	0.4 -	1.47	3.0	1.84	4.2	0.56	1.9	0.82	2.9	1.77	1.2	2.61	1.8	6.79	0.7	5.79	0.6
2.78	16.1	2.42	14.1	2.30	9.4	1.42	6.1	1.78	8.6	2.34	13.3	1.41	9.0	1.35	9.0	10.78	14.9	9.49	13.3	49.67	12.5	48.89	12.3
0.17	1.0	0.24	1.4	0.73	3.0	0.73	3.1	0.00	0.0	0.00	0.0	0.13 -	0.8 -	0.10 -	0.7 -	1.34	1.9	1.51	2.1	11.01	2.8	9.59	2.4
4.17	24.2	4.25	24.8	7.03	28.7	7.25	31.1	5.12	24.8	4.22	23.8	2.64	16.9	2.68	17.9	15.88	21.9	16.34	22.9	95.11	24.0	95.32	24.0
0.62	3.6	0.53	3.1	0.57	2.3	0.63	2.7	0.61	3.0	0.30	1.7	0.19	1.2	0.24	1.6	2.75	3.8	2.72	3.8	12.09	3.1	13.24	3.3
0.22	1.3	0.22	1.3	0.21	0.9	0.21	0.9	0.16	0.8	0.17	0.9	0.28	1.8	0.19	1.3	0.77	1.1	0.85	1.2	4.86	1.3	5.13	1.3
0.02	0.1	0.00	0.0	0.04	0.2	0.04	0.2	0.06	0.3	0.00	0.0	0.20	1.3	0.11	0.7	0.26	0.4	0.25	0.3	2.48	0.6	1.49	0.4
7.99	46.3	7.66	44.7	10.89	44.4	10.27	44.0	7.75	37.6	7.03	39.7	4.60	29.3	4.48	29.8	31.80	43.9	31.16	43.7	175.32	44.2	173.66	43.7
17.56	101.9	16.75	97.8	24.47	99.8	22.82	97.8	22.18	107.5	18.03	101.9	11.16	71.3	10.98	73.2	48.69	67.2	45.66	64.0	360.00	90.8	344.08	86.6
9.49	55.1	8.52	49.7	13.10	53.4	11.77	50.5	9.94	48.2	8.05	45.5	6.90	44.1	6.34	42.2	28.74	39.6	26.54	37.2	205.79	51.9	188.13	47.4
8.07	46.8	8.23	48.0	11.37	46.4	11.05	47.4	12.24	59.3	9.98	56.5	4.26	27.2	4.64	31.0	19.95	27.5	19.12	26.8	154.21	38.9	155.95	39.3
8.51	49.3	8.72	50.9	11.73	47.8	11.41	48.9	12.39	60.1	9.99	56.5	4.26	27.2	4.65	31.0	35.62	49.1	34.92	49.0	178.82	45.1	178.35	44.9
0.11	0.6	0.14	0.8	0.88	3.6	0.68	2.9	0.33	1.6	0.53	3.0	0.16	1.0	0.16	1.1	0.48	0.7	0.58	0.8	8.04	2.0	8.82	2.2
0.64	3.7	0.62	3.6	1.02	4.2	0.97	4.2	0.16	0.8	0.15	0.8	6.64	42.4	5.72	38.1	4.59	6.3	4.63	6.5	34.28	8.6	36.49	9.2
17.24	100.0	17.14	100.0	24.52	100.0	23.33	100.0	20.63	100.0	17.69	100.0	15.66	100.0	15.00	100.0	72.49	100.0	71.29	100.0	396.46	100.0	397.31	100.0
0.65	3.8	0.41	2.4	0.83	3.4	0.84	3.6	0.29	1.4	0.17	1.0	0.15	0.9	0.02	0.1	0.57	0.8	0.85	1.2	9.75	2.5	11.17	2.8
0.64	3.7	0.54	3.1	1.12	4.6	1.11	4.8	1.15	5.6	0.93	5.2	0.50	3.2	0.68	4.5	2.69	3.7	1.28	1.8	14.49	3.7	11.88	3.0
2.30	13.4	2.21	12.9	4.21	17.2	4.27	18.3	2.43	11.8	2.42	13.7	1.59	10.2	1.36	9.0	9.93	13.7	10.14	14.2	63.41	16.0	61.49	15.5
0.64	3.7	0.71	4.1	0.99	4.0	1.06	4.5	0.76	3.7	0.50	2.8	0.53	3.4	0.61	4.0	1.95	2.7	2.02	2.8	11.04	2.8	10.13	2.6
0.24	1.4	0.20	1.2	0.14	0.6	0.12	0.5	0.67	3.2	0.25	1.4	0.51	3.3	0.21	1.4	0.95	1.3	1.11	1.6	6.18	1.6	5.69	1.4
1.22	7.1	1.18	6.9	0.67	2.7	0.78	3.4	1.64	8.0	1.42	8.0	0.48	3.1	0.49	3.2	2.62	3.6	2.51	3.5	19.29	4.9	19.33	4.9
0.66	3.8	0.58	4.0	1.76	7.2	1.73	7.4	0.35	1.7	0.25	1.4	0.86	5.5	0.70	4.6	3.72	5.1	3.58	5.0	20.56	5.2	19.31	4.9
6.34	36.8	5.93	34.6	9.72	39.6	9.91	42.5	7.28	35.3	5.94	33.6	4.62	29.5	4.05	27.0	22.43	30.9	21.49	30.2	144.72	36.5	139.00	35.0
0.11	0.6	0.21	1.2	2.29	9.3	1.92	8.2	0.00	0.0	0.00	0.0	4.73	30.2	4.07	27.1	1.98	2.7	2.01	2.8	14.60	3.7	13.12	3.3
3.01	17.4	3.25	19.0	4.69	19.1	4.18	17.9	3.61	17.5	3.14	17.8	0.75	4.8	0.80	5.3	14.98	20.7	14.85	20.8	60.26	15.2	64.42	16.2
3.11	18.1	3.46	20.2	6.98	28.5	6.10	26.2	3.61	17.5	3.14	17.8	5.48	35.0	4.87	32.4	16.96	23.4	16.86	23.6	74.87	18.9	77.54	19.5
4.23	24.5	4.43	25.8	5.36	21.9	4.96	21.3	5.26	25.5	4.56	25.8	1.23	7.8	1.28	8.6	17.60	24.3	17.36	24.4	79.55	20.1	83.75	21.1
0.05	0.3	0.05	0.3	0.08	0.3	0.05	0.2	0.02	0.1	0.14	0.8	0.01	0.0	0.00	0.0	0.51	0.7	0.40	0.6	2.47	0.6	2.41	0.6
0.52	3.0	0.47	2.7	0.15	0.6	0.24	1.0	0.36	1.7	0.29	1.6	0.15	1.0	0.26	1.7	0.70	1.0	0.67	0.9	4.80	1.2	4.63	1.2
10.02	58.1	9.91	57.8	16.93	69.0	16.30	69.9	11.26	54.6	9.51	53.8	10.26	65.5	9.18	61.2	40.60	56.0	39.43	55.3	226.86	57.2	223.57	56.3
7.22	41.9	7.23	42.2	7.59	31.0	7.03	30.1	9.36	45.4	8.18	46.2	5.41	34.5	5.82	38.8	31.89	44.0	31.86	44.7	169.60	42.8	173.74	43.7
10.33	59.9	10.69	62.4	14.58	59.4	13.13	56.3	12.98	62.9	11.32	64.0	10.89	69.5	10.69	71.2	48.85	67.4	48.72	68.3	244.47	61.7	251.28	63.2
17.24	100.0	17.14	100.0	24.52	100.0	23.33	100.0	20.63	100.0	17.69	100.0	15.66	100.0	15.00	100.0	72.49	100.0	71.29	100.0	396.46	100.0	397.31	100.0

Northwestern 1981	1980	Middlewestern 1981	1980	Southwestern 1981	1980	Rocky Mountain 1981	1980	Pacific 1981	1980	All Regions 1981	1980
6.04	6.14	9.57	9.61	5.32	5.43	5.60	4.86	4.53	4.52	5.48	5.16
4.22	4.15	4.98	5.15	3.84	3.92	2.78	2.65	2.95	2.95	3.80	3.57
5.40	5.39	6.39	6.11	4.07	4.45	7.10	6.09	7.24	7.33	6.03	5.75
2.48	2.65	2.97	2.96	2.25	2.46	2.71	2.58	2.96	3.15	2.58	2.61
0.06	0.81	0.89	1.24	5.69	6.66	3.19	5.69	2.39	3.64	1.66	2.62
0.25	3.38	4.41	6.37	21.82	26.10	8.85	15.08	7.06	10.75	6.30	9.35
0.36 -	0.22	0.59	0.90	3.10	4.92	1.05	3.49	1.28	2.37	0.77	1.62
2.19 -	1.38	5.68	8.69	16.48	26.71	5.85	16.96	5.78	10.72	4.24	8.38
4.93	8.41	9.65	10.62	28.46	31.94	15.92	20.73	4.66	13.18	8.42	13.67
100.56	99.80	99.57	99.38	94.47	93.42	98.71	97.29	100.50	98.74	99.62	98.33
98.90	98.11	98.33	98.21	92.74	92.03	97.77	96.29	99.05	97.36	98.33	97.10
2.42	2.47	2.91	2.70	3.56	3.17	2.75	2.57	2.67	2.67	2.63	2.53
0.01 -	0.01	0.02	0.02	0.11	0.16	0.03	0.09	0.03	0.06	0.02	0.04
1.46	1.77	2.88	2.93	4.29	3.97	1.42	2.20	6.17	7.62	42.46	47.95
1.65	1.73	1.17	0.36	0.47	1.09	0.02 -	0.42	9.37	9.67	30.59	34.66
1.26	1.29	1.12	1.04	1.06	1.18	1.00	1.10	1.42	1.45	1.21	1.25
14.43	14.97	6.17	2.05	3.89	10.09	0.27 -	5.92	24.58	25.90	12.65	15.06
34.95	34.90	35.34	39.19	37.56	34.66	31.89	34.62	40.15	41.44	37.33	38.78
0.59	0.61	0.71	0.71	0.56	0.56	0.23	0.22	0.55	0.54	0.47	0.48
0.19	0.21	0.46	0.54	0.34	0.25	0.14	0.06	0.16	0.16	0.17	0.17
0.59	0.62	0.80	0.78	0.58	0.60	0.23	0.23	0.56	0.55	0.49	0.51
119.34	150.09	427.00	375.16	261.06	280.06	296.91	453.66	235.82	303.09	220.16	248.23
34.48	40.01	53.68	59.11	81.62	87.01	115.69	171.61	35.06	43.86	53.38	57.79
17.11	16.88	16.73	16.00	16.37	13.55	23.08	22.00	11.87	11.42	15.15	13.21
1.12	1.14	1.50	1.57	1.31	1.22	0.79	0.80	0.63	0.60	0.91	0.90
1.42	1.54	1.32	1.35	1.43	1.26	1.27	1.32	1.26	1.43	1.22	1.30
1.34	1.36	3.67	2.94	1.46	1.22	2.31	2.33	1.63	1.68	1.80	1.71
1.18	1.21	1.54	1.62	1.32	1.22	0.79	0.80	1.12	1.10	1.05	1.03
2.19 -	1.38	5.68	8.69	16.48	26.71	5.85	16.96	5.78	10.72	4.24	8.38
5.12	5.09	6.19	5.92	4.02	4.44	7.10	6.09	4.05	4.12	5.20	5.03
30.27	32.83	32.79	34.85	25.29	27.79	32.97	36.10	33.11	35.06	33.27	34.62
52.36	52.92	51.30	51.59	41.67	42.06	42.59	38.90	49.95	48.14	48.77	48.95
2.55	3.21	3.50	4.35	2.71	3.13	6.90	7.53	2.90	3.34	3.64	4.07
53.61	52.42	45.35	43.88	34.87	29.93	38.90	34.10	51.85	50.95	39.71	37.69
20.17	21.06	19.79	19.95	31.19	25.22	24.05	25.28	20.58	20.09	21.31	21.10
8.62	8.37	10.35	10.39	8.95	11.31	9.65	8.37	12.03	11.52	9.48	9.47
765.53	841.74	1.308.03	1.277.41	317.67	371.39	353.36	348.86	1.463.93	1.459.06	13.863.99	14.626.10
17.352.30	16.658.46	26.653.68	24.526.11	6.796.94	6.558.89	6.583.08	6.834.95	20.350.18	20.172.70	260.568.16	255.745.99

BEST AVAILABLE COPY

Carrier Group B

Region Number	1				2				3				4			
Region	New England				Middle Atlantic				Central				Southern			
Number of Carriers	10				31				51				42			
Year	1981		1980		1981		1980		1981		1980		1981		1980	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data																
Gross Revenues	111.98	100.0	98.94	100.0	323.78	100.0	316.53	100.0	543.82	100.0	511.26	100.0	462.56	100.0	439.76	100.0
Depreciation	2.80	2.5	2.64	2.7	9.33	2.9	9.61	3.0	16.96	3.1	16.47	3.2	19.56	4.2	18.67	4.2
Purchased Transportation	24.94	22.3	20.39	20.6	49.87	15.4	44.32	14.0	132.27	24.3	122.19	23.9	106.52	23.0	90.02	20.5
Total Operating Expenses	107.60	96.1	93.87	94.9	318.86	98.5	308.36	97.4	535.30	98.4	505.86	98.9	444.53	96.1	415.50	94.5
Net Carrier Operating Income	4.38	3.9	5.07	5.1	4.92	1.5	8.17	2.6	8.52	1.6	5.40	1.1	18.03	3.9	24.26	5.5
Interest Expense	0.87	0.8	0.62	0.6	3.36	1.0	3.45	1.1	6.57	1.2	6.23	1.2	6.75	1.5	5.94	1.3
Net Income Before Taxes	4.01	3.6	4.79	4.8	5.16	1.6	7.71	2.4	7.56	1.4	6.34	1.2	15.81	3.4	20.51	4.7
Income Taxes—Current	1.19	1.1	1.65	1.7	1.53	0.5	0.67	0.2	3.34	0.6	1.27	0.2	5.48	1.2	7.97	1.8
Deferred Income Taxes	0.06 -	0.1 -	0.26	0.3	0.53	0.2	0.52	0.2	0.09 -	0.0	0.31 -	0.1 -	0.27	0.1	0.61	0.1
Equity in Earnings of Affil	0.00	0.0	0.00	0.0	0.56	0.2	0.77 -	0.2 -	0.42 -	0.1 -	0.26 -	0.1 -	0.23 -	0.0	0.02 -	0.0
Income Before Extra Items	2.88	2.6	2.88	2.9	3.66	1.1	5.88	1.9	3.84	0.7	5.12	1.0	9.84	2.1	11.91	2.7
Extraordinary Items	0.03 -	0.0	2.08 -	2.1 -	0.58	0.2	5.29 -	1.7 -	0.30	0.1	10.43 -	2.0 -	1.79	0.4	10.32 -	2.3 -
Net Income After Taxes	2.86	2.6	0.80	0.8	4.24	1.3	0.59	0.2	4.18	0.8	5.31 -	1.0 -	11.63	2.5	1.59	0.4
Balance Sheet																
Assets																
Cash	7.42	21.6	5.08	16.3	12.70	10.9	7.92	6.9	33.84	17.4	26.05	13.8	35.54	18.2	29.19	15.6
Receivables from Affiliates	0.58	1.7	0.42	1.4	4.26	3.6	2.26	2.0	4.83	2.5	3.99	2.1	2.87	1.5	3.30	1.7
Notes & Accounts Receivable	9.17	26.7	9.02	29.0	25.79	22.1	26.16	22.8	40.16	20.6	43.49	23.1	33.67	17.2	35.32	18.9
Prepaid Expenses	0.42	1.2	0.54	1.7	3.83	3.3	4.35	3.8	5.69	2.9	6.72	3.6	4.94	2.5	4.63	2.5
Materials & Supplies	0.63	1.8	0.60	1.9	2.99	2.6	2.91	2.5	4.09	2.1	4.54	2.4	4.11	2.1	4.29	2.3
Other Current Assets	0.11	0.3	0.04	0.1	0.25	0.2	0.21	0.2	0.44	0.2	0.09	0.0	0.98	0.5	1.38	0.7
Total Current Assets	18.33	53.4	15.70	50.4	49.82	42.7	43.81	38.1	89.04	45.7	84.87	45.1	82.11	42.0	78.11	41.7
Carrier Operating Property	32.17	93.7	29.96	96.3	112.73	96.6	117.67	102.4	190.29	97.6	182.95	97.2	206.94	105.8	196.08	104.8
Reserve for Depreciation	18.90	55.1	16.86	54.2	61.55	52.7	61.73	53.7	107.71	55.3	98.24	52.2	108.49	55.5	98.46	52.6
Carrier Operating Property Net	13.27	38.7	13.10	42.1	51.19	43.9	55.94	48.7	82.59	42.4	84.71	45.0	98.45	50.3	97.62	52.2
Total Tangible Property	14.23	41.5	14.21	45.7	54.43	46.6	58.89	51.2	87.10	44.7	87.74	46.6	99.38	50.8	98.06	52.4
Intangibles	0.01	0.0	0.20	0.7	2.17	1.9	2.00	1.7	3.34	1.7	3.21	1.7	2.04	1.0	1.99	1.1
Other Assets	1.76	5.1	1.01	3.3	10.31	8.8	10.26	8.9	15.45	7.9	12.43	6.6	12.11	6.2	8.95	4.8
Total Assets	34.33	100.0	31.12	100.0	116.71	100.0	114.96	100.0	194.93	100.0	188.26	100.0	195.64	100.0	187.11	100.0
Liabilities & Equity																
Payables to Affiliates	0.10	0.3	0.11	0.3	8.05	6.9	7.92	6.9	3.65	1.9	4.67	2.5	6.77	3.5	4.96	2.6
Notes Payable	0.06	0.2	0.06	0.2	2.08	1.8	3.67	3.2	3.75	1.9	3.91	2.1	3.91	2.0	2.65	1.4
Accounts Payable	3.55	10.4	3.18	10.2	16.61	14.2	14.49	12.6	28.78	14.8	27.90	14.8	22.40	11.4	21.69	11.6
Misc. Payables & Accruals	1.98	5.8	1.16	3.7	3.05	2.6	2.38	2.1	5.84	3.0	4.46	2.4	4.50	2.3	3.97	2.1
Taxes Payable	0.60	1.8	0.89	2.9	2.40	2.1	1.38	1.2	3.04	1.6	2.60	1.4	3.20	1.6	3.15	1.7
Funded Debt Due Within One Year	1.75	5.1	1.84	5.9	5.38	4.6	6.34	5.5	10.98	5.6	10.31	5.5	10.59	5.4	13.25	7.1
Other Current Liabilities	3.86	11.2	3.56	11.4	10.31	8.8	10.62	9.2	14.42	7.4	13.99	7.4	7.81	4.0	8.50	4.5
Total Current Liabilities	11.90	34.7	10.79	34.7	47.88	41.0	46.79	40.7	70.47	36.1	67.86	36.0	59.17	30.2	58.17	31.1
Advances Payable	0.02	0.1	0.04	0.1	1.71	1.5	2.77	2.4	16.79	8.6	16.90	9.0	0.41	0.2	0.40	0.2
Funded Debt Due After One Year	3.16	9.2	3.81	12.2	13.42	11.5	15.43	13.4	35.29	18.1	35.00	18.6	26.18	13.4	27.72	14.8
Total Long Term Debt	3.18	9.3	3.85	12.4	15.13	13.0	18.20	15.8	52.08	26.7	51.91	27.6	26.59	13.6	28.12	15.0
Total Funded Debt	4.91	14.3	5.65	18.1	18.80	16.1	21.76	18.9	46.27	23.7	45.31	24.1	36.77	18.8	40.97	21.9
Reserves & Est Liabilities	0.23	0.7	0.13	0.4	0.67	0.6	0.73	0.6	3.37	1.7	2.92	1.5	1.24	0.6	1.10	0.6
Accum Deferred Tax Credits	1.06	3.1	1.17	3.8	2.41	2.1	2.59	2.3	3.07	1.6	3.41	1.8	4.54	2.3	5.65	3.0
Total Liabilities	16.37	47.7	15.94	51.2	66.10	56.6	68.32	59.4	128.98	66.2	126.09	67.0	91.54	46.8	93.04	49.7
Stockholder's Equity	17.96	52.3	15.18	48.8	50.61	43.4	46.64	40.6	65.95	33.8	62.17	33.0	104.09	53.2	94.07	50.3
Total Capital	21.14	61.6	19.03	61.1	65.75	56.3	64.84	56.4	118.03	60.5	114.07	60.6	130.68	66.8	122.19	65.3
Total Liabilities & Equity	34.33	100.0	31.12	100.0	116.71	100.0	114.96	100.0	194.93	100.0	188.26	100.0	195.64	100.0	187.11	100.0

Analytical Data	New England 1981	1980	Middle Atlantic 1981	1980	Central 1981	1980	Southern 1981	1980
Operating Performance								
Gross Revenues to Equity	6.23	6.52	6.40	6.79	8.25	8.22	4.44	4.67
Gross Revenues to Total Capital	5.30	5.20	4.92	4.88	4.61	4.48	3.54	3.60
Gross Revenues to Net Carr Oper Prop	8.44	7.55	6.33	5.66	6.58	6.04	4.70	4.50
Gross Revenues to Carr Oper Prop (Cost)	3.48	3.30	2.87	2.69	2.86	2.79	2.24	2.24
Pre-Tax Income to Gross Revenues, %	3.58	4.84	1.59	2.44	1.39	1.24	3.42	4.66
Pre-Tax Income to Total Capital, %	18.99	25.17	7.85	11.89	6.41	5.56	12.10	16.79
After Tax Income to Gross Revenues, %	2.57	2.92	1.13	1.86	0.71	1.00	2.13	2.71
After Tax Income to Equity, %	16.05	19.00	7.24	12.61	5.89	8.23	9.45	12.67
Return on Transportation Investment, %	22.24	28.16	9.26	15.43	8.42	5.31	14.85	20.64
Expense Ratio, %	96.86	95.50	99.52	98.51	99.64	100.16	97.56	95.83
Operating Ratio, %	96.09	94.88	98.48	97.42	98.43	98.94	96.10	94.48
Average Revenue Per Carrier	11.20	9.89	10.44	10.21	10.66	10.02	11.01	10.47
Net Income Per Carrier	0.29	0.29	0.12	0.19	0.08	0.10	0.23	0.28
Liquidity								
Cash Throw Off, Dollars	5.63	5.78	12.97	16.78	21.18	21.54	29.90	31.21
Working Capital, Dollars	6.43	4.90	1.93	2.98 -	16.58	17.02	22.93	19.94
Current Ratio	1.54	1.45	1.04	0.94	1.26	1.25	1.39	1.34
Days Cash Oper Exp in Work Cap	22.27	19.58	2.27	3.63 -	13.06	12.66	19.55	18.19
Average Days Collection Period	29.90	33.26	29.08	30.17	26.95	31.05	26.57	29.32
Leverage & Debt Service								
Funded Debt to Equity	0.27	0.37	0.37	0.47	0.70	0.73	0.35	0.44
Net Debt to Equity	0.18 -	0.07 -	0.23	0.39	0.25	0.29	0.03	0.08
Funded Debt to Tangible Net Worth	0.27	0.38	0.39	0.49	0.74	0.77	0.36	0.44
Cash Throw to Funded Debt Due in One Year, %	321.32	314.04	241.20	264.69	192.89	208.90	282.33	235.60
Cash Throw to Total Funded Debt, %	114.60	102.30	68.97	77.08	45.78	47.54	81.31	76.18
Interest to Total Funded Debt, %	17.67	10.92	17.88	15.85	14.19	13.75	16.35	14.49
Carrier Property (Net) to Equity	0.74	0.86	1.01	1.20	1.25	1.36	0.95	1.04
Additional Ratios								
Receivables to Payables	2.54	2.78	1.38	1.44	1.23	1.37	1.28	1.45
Deprec to Debt Due in One Year	1.60	1.43	1.74	1.52	1.54	1.60	1.85	1.41
Total Tang Prop to Equity	0.79	0.94	1.08	1.26	1.32	1.41	0.95	1.04
Income Before Extra Items Etc to Equity, %	16.05	19.00	7.24	12.61	5.89	8.23	9.45	12.67
Gross Revenues to Total Tang Prop	7.87	6.96	5.95	5.36	6.24	5.83	4.65	4.48
Productivity Measures (Int-City Carr Only)								
Total Payroll to Revenues, %	37.43	38.73	36.93	37.52	33.94	35.60	30.83	32.41
Total Payroll (WPT) to Revenues, %	48.82	47.33	51.98	52.28	55.58	56.05	48.40	48.26
Cargo Handler Compen to Revenues, %	5.86	5.30	5.49	5.64	4.92	5.34	4.13	4.69
Linehaul Expenses to Revenues, %	25.67	24.44	32.62	33.16	49.83	48.79	50.23	46.71
Revenue Per Ton-Mile, Cents	36.13	30.42	27.08	23.11	21.32	20.45	16.06	13.91
Average Load, Tons	8.37	9.20	9.72	10.71	11.00	10.63	10.32	11.86
Total Tons, Thous	1,148.08	1,144.18	4,793.30	5,188.61	9,440.81	9,480.80	7,738.56	8,174.59
Total Miles, Thous	28,136.35	26,605.89	104,259.78	101,021.14	188,982.18	188,523.77	230,942.43	224,504.23

Dollar Amounts in Millions

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5 Northwestern 15				6 Middlewestern 16				7 Southwestern 13				8 Rocky Mountain 12				9 Pacific 43				Total All Regions 235			
1981		1980		1981		1980		1981		1980		1981		1980		1981		1980		1981		1980	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
218.86	100.0	194.36	100.0	238.48	100.0	217.97	100.0	164.98	100.0	155.48	100.0	145.04	100.0	126.50	100.0	455.79	100.0	413.21	100.0	2.685.28	100.0	2.474.01	100.0
7.38	3.4	6.82	3.5	8.01	3.4	7.53	3.5	5.56	3.0	5.05	3.2	6.80	4.7	6.10	4.8	10.58	2.3	9.97	2.4	87.01	3.2	82.85	3.3
60.86	27.8	42.81	22.0	41.05	17.2	30.07	13.8	41.62	22.5	30.27	19.5	28.47	19.6	22.88	18.1	104.25	22.9	94.56	22.9	589.84	22.0	497.53	20.1
212.72	97.2	187.82	96.6	231.07	96.9	208.33	95.6	170.07	91.9	143.76	92.5	140.52	96.9	121.85	96.3	439.67	96.5	393.64	95.3	2.600.34	96.8	2.378.98	96.2
6.14	2.8	6.54	3.4	7.41	3.1	9.64	4.4	14.91	8.1	11.72	7.5	4.52	3.1	4.65	3.7	16.12	3.5	19.57	4.7	84.94	3.2	95.03	3.8
2.76	1.3	2.23	1.1	1.89	0.8	1.95	0.9	1.43	0.8	1.03	0.7	2.62	1.8	2.60	2.1	5.13	1.1	4.02	1.0	31.38	1.2	28.06	1.1
3.24	1.5	4.65	2.4	5.82	2.4	7.42	3.4	13.80	7.5	10.60	6.8	2.28	1.6	2.90	2.3	15.19	3.3	21.43	5.2	72.88	2.7	86.35	3.5
0.08	0.0	0.54	0.3	2.92	1.2	1.55	0.7	3.60	1.9	2.86	1.8	0.09	0.1	0.96	0.8	6.13	1.3	5.88	1.4	24.36	0.9	23.35	0.9
0.11 -	0.1 -	0.26	0.1	0.21	0.1	0.85	0.4	0.20	0.1	0.11 -	0.1 -	0.04	0.0	0.24	0.2	0.02	0.0	0.06	0.0	1.02	0.0	2.37	0.1
0.09	0.0	0.00	0.0	0.12	0.0	0.09	0.0	0.10	0.1	0.06	0.0	0.00	0.0	0.00	0.0	0.57	0.1	1.13	0.3	0.79	0.0	0.22	0.0
3.37	1.5	3.82	2.0	2.80	1.2	5.12	2.3	10.09	5.5	7.90	5.1	2.16	1.5	1.70	1.3	9.60	2.1	16.61	4.0	48.29	1.8	60.98	2.5
0.15	0.1	3.67 -	1.9	2.00	0.8	4.95 -	2.3 -	0.13 -	0.1 -	1.07 -	0.7 -	0.28	0.2	2.34 -	1.9 -	0.29	0.1	2.80 -	0.7 -	5.24	0.2	42.95 -	1.7 -
3.52	1.6	0.18	0.1	4.81	2.0	0.17	0.1	9.96	5.4	6.83	4.4	2.44	1.7	0.64 -	0.5 -	9.89	2.2	13.81	3.3	53.53	2.0	18.03	0.7
3.32	4.7	4.67	7.2	10.77	12.5	8.04	9.8	14.43	17.2	11.75	14.1	4.11	7.0	2.31	4.1	24.02	13.1	22.59	12.9	146.15	14.3	117.60	12.0
0.33	0.5	0.65	1.0	1.20	1.4	0.63	0.8	6.08	7.2	13.86	16.6	1.58	2.7	1.32	2.4	17.44	9.5	22.43	12.8	39.17	3.8	48.86	5.0
19.44	27.5	15.37	23.6	19.79	22.9	18.89	23.1	19.48	23.2	17.41	20.8	10.03	17.0	11.53	20.5	43.24	23.7	40.88	23.3	220.78	21.5	218.08	22.2
1.26	1.8	1.17	1.8	2.75	3.2	2.90	3.5	2.61	3.1	2.05	2.5	1.87	3.2	1.68	3.0	7.12	3.9	6.05	3.4	30.49	3.0	30.07	3.1
1.73	2.4	1.81	2.8	1.59	1.8	1.27	1.6	1.44	1.7	1.31	1.6	1.15	1.9	1.17	2.1	2.95	1.6	2.68	1.5	20.66	2.0	20.59	2.1
0.26	0.4	0.19	0.3	0.17	0.2	0.18	0.2	0.34	0.4	0.37	0.4	0.02	0.0	0.00	0.0	1.12	0.6	0.57	0.3	3.69	0.4	3.03	0.3
26.35	37.3	23.86	36.6	36.28	42.0	31.91	39.0	44.36	52.8	46.76	55.9	18.76	31.7	18.01	32.0	95.89	52.5	95.20	54.3	460.94	45.0	436.23	44.5
76.11	107.7	68.10	104.5	88.77	102.7	83.09	101.6	62.56	74.4	56.88	68.0	65.28	110.4	58.10	103.2	133.31	72.9	122.19	69.7	968.17	94.5	915.04	93.0
37.52	53.1	32.40	49.7	45.96	53.2	41.65	50.9	30.24	36.0	26.48	31.7	28.36	48.0	22.99	40.8	71.21	39.0	64.84	37.0	509.94	49.8	463.66	47.1
38.59	54.6	35.70	54.8	42.81	49.5	41.44	50.7	32.32	38.4	30.40	36.4	36.92	62.4	35.11	62.4	62.10	34.0	57.35	32.7	458.23	44.7	451.37	45.9
38.83	54.9	36.00	55.2	42.88	49.6	41.58	50.8	35.06	41.7	32.89	39.3	36.95	62.5	35.22	62.6	69.25	37.9	62.38	35.6	478.12	46.7	466.97	47.5
0.17	0.2	0.35	0.5	0.50	0.6	1.29	1.6	0.64	0.8	0.70	0.8	0.99	1.7	0.87	1.5	1.88	1.0	1.97	1.1	11.74	1.1	12.58	1.3
5.34	7.6	4.97	7.5	6.77	7.8	7.04	8.6	4.02	4.8	3.28	3.9	2.41	4.1	2.19	3.9	15.79	8.6	15.85	9.0	73.96	7.2	65.97	6.7
70.70	100.0	65.18	100.0	86.43	100.0	81.81	100.0	84.08	100.0	83.62	100.0	59.12	100.0	56.29	100.0	182.81	100.0	175.41	100.0	1.024.76	100.0	983.76	100.0
0.37	0.5	0.60	0.9	1.27	1.5	1.22	1.5	1.51	1.8	8.28	9.9	0.19	0.3	0.43	0.8	13.75	7.5	15.78	9.0	35.64	3.5	43.97	4.5
0.54	0.9	1.04	1.6	0.55	0.6	0.33	0.4	2.58	3.1	2.24	2.7	0.73	1.2	0.95	1.7	2.72	1.5	3.20	1.8	17.03	1.7	18.06	1.8
7.86	11.1	8.43	12.9	14.57	16.9	12.15	14.8	6.99	8.3	6.54	7.8	6.94	11.7	6.04	10.7	23.16	12.7	22.42	12.8	130.87	12.8	122.85	12.5
2.63	3.7	2.07	3.2	3.12	3.6	2.86	3.5	2.15	2.6	1.95	2.3	2.33	3.9	2.02	3.6	3.95	2.2	3.88	2.2	29.56	2.9	24.76	2.5
1.33	1.9	1.12	1.7	1.62	1.9	0.68	0.8	1.66	2.0	1.64	2.0	0.25	0.4	0.64	1.1	1.95	1.1	3.30	1.9	16.07	1.6	15.41	1.6
3.61	5.1	2.91	4.5	2.75	3.2	3.35	4.1	1.47	1.7	1.71	2.0	4.21	7.1	4.98	8.8	9.64	5.3	8.91	5.1	50.37	4.9	53.60	5.4
6.17	8.7	5.26	8.1	7.45	8.6	6.56	8.0	4.87	5.8	4.89	5.8	3.13	5.3	3.16	5.6	13.73	7.5	12.26	7.0	71.74	7.0	68.79	7.0
22.62	32.0	21.43	32.9	31.33	36.2	27.15	33.2	21.22	25.2	27.26	32.6	17.78	30.1	18.23	32.4	68.91	37.7	69.76	39.8	351.27	34.3	347.45	35.3
0.92	1.3	1.86	2.8	0.89	1.0	2.01	2.5	12.57	14.9	14.57	17.4	2.04	3.5	2.26	4.0	0.06	0.0	0.31 -	0.2 -	35.42	3.5	40.49	4.1
18.30	25.9	10.33	15.8	8.62	10.0	8.22	10.0	12.63	15.0	11.24	13.4	16.63	28.1	16.12	28.6	24.02	13.1	21.81	12.4	158.24	15.4	149.67	15.2
19.22	27.2	12.18	18.7	9.51	11.0	10.23	12.5	25.20	30.0	25.81	30.9	18.67	31.6	18.38	32.6	24.08	13.2	21.50	12.3	193.65	18.9	190.16	19.3
21.91	31.0	13.24	20.3	11.37	13.2	11.56	14.1	14.10	16.8	12.95	15.5	20.83	35.2	21.10	37.5	33.66	18.4	30.72	17.5	208.61	20.4	203.27	20.7
0.32	0.5	0.32	0.5	0.61	0.7	0.28	0.3	0.72	0.9	0.74	0.9	0.16	0.3	0.20	0.4	1.18	0.6	1.41	0.8	8.51	0.8	7.83	0.8
2.04	2.9	2.44	3.7	2.88	3.3	4.38	5.4	1.79	2.1	1.90	2.3	2.91	4.9	2.64	4.7	5.59	3.1	5.18	3.0	26.29	2.6	29.37	3.0
44.20	62.5	36.38	55.8	44.34	51.3	42.04	51.4	48.92	58.2	55.71	66.6	39.51	66.8	39.45	70.1	99.76	54.6	97.85	55.8	579.73	56.6	574.81	58.4
26.50	37.5	28.80	44.2	42.09	48.7	39.78	48.6	35.16	41.8	27.91	33.4	19.61	33.2	16.84	29.9	83.06	45.4	77.56	44.2	445.03	43.4	408.95	41.6
45.72	64.7	40.98	62.9	51.60	59.7	50.01	61.1	60.35	71.8	53.72	64.2	38.27	64.7	35.22	62.6	107.14	58.6	99.06	56.5	638.69	62.3	599.11	60.9
70.70	100.0	65.18	100.0	86.43	100.0	81.81	100.0	84.08	100.0	83.62	100.0	59.12	100.0	56.29	100.0	182.81	100.0	175.41	100.0	1.024.76	100.0	983.76	100.0

Northwestern		Middlewestern		Southwestern		Rocky Mountain		Pacific		All Regions	
1981	1980	1981	1980	1981	1980	1981	1980	1981	1980	1981	1980
8.26	6.75	5.67	5.48	5.26	5.57	7.40	7.51	5.49	5.33	6.03	6.05
4.79	4.74	4.62	4.36	3.06	2.89	3.79	3.59	4.25	4.17	4.20	4.13
5.67	5.44	5.57	5.26	5.72	5.11	3.93	3.60	7.34	7.21	5.86	5.48
2.88	2.85	2.69	2.62	2.96	2.73	2.22	2.18	3.42	3.38	2.77	2.70
1.48	2.39	2.44	3.40	7.46	6.82	1.57	2.29	3.33	5.19	2.71	3.49
7.09	11.35	11.27	14.84	22.86	19.73	5.96	8.24	14.17	21.63	11.41	14.41
1.54	1.98	1.18	2.35	5.46	5.08	1.49	1.35	2.11	4.02	1.80	2.46
12.70	13.38	6.66	12.87	28.71	26.32	11.01	10.12	11.56	21.41	10.85	14.91
14.51	17.17	15.51	20.87	26.88	23.49	11.92	13.32	18.09	23.64	14.96	17.53
98.46	97.78	97.69	96.47	92.71	93.12	98.69	98.39	97.59	96.24	98.01	97.29
97.19	96.63	96.89	95.58	91.94	92.46	96.89	96.33	96.46	95.26	95.84	96.16
14.59	12.96	13.25	12.11	14.23	11.96	12.09	10.54	10.60	9.61	11.43	10.53
0.22	0.26	0.16	0.28	0.78	0.61	0.18	0.14	0.22	0.39	0.21	0.26
10.54	10.92	10.91	13.41	15.78	12.78	8.99	8.04	19.64	25.51	135.53	145.98
3.73	2.43	4.95	4.76	23.15	19.50	0.98	0.22 -	26.98	25.44	109.67	90.79
1.17	1.11	1.16	1.18	2.09	1.72	1.06	0.99	1.39	1.36	1.31	1.26
6.61	4.88	8.07	8.61	51.31	51.11	2.68	0.68 -	22.91	24.11	15.67	14.37
32.42	28.87	30.29	31.64	38.44	40.88	25.25	33.26	34.63	36.11	30.01	32.17
0.83	0.46	0.27	0.29	0.40	0.46	1.06	1.25	0.41	0.40	0.47	0.50
0.55	0.27	0.09	0.09	0.30 -	0.30 -	0.80	0.97	0.04 -	0.05 -	0.11	0.14
0.83	0.47	0.27	0.30	0.41	0.48	1.12	1.31	0.41	0.41	0.48	0.51
292.03	375.19	396.98	400.46	1.074.12	747.32	213.70	161.49	203.80	286.34	269.09	272.36
48.11	82.52	95.98	115.94	111.92	98.68	43.16	38.11	58.35	83.06	64.97	71.82
12.61	16.83	16.65	16.84	10.13	7.97	12.59	12.34	15.25	13.09	15.04	13.81
1.46	1.24	1.02	1.04	0.92	1.09	1.88	2.08	0.75	0.74	1.03	1.10
2.29	1.62	1.31	1.51	2.04	1.98	1.31	1.65	1.67	1.60	1.49	1.55
2.04	2.34	2.92	2.25	3.80	2.95	1.62	1.22	1.10	1.12	1.73	1.55
1.47	1.25	1.02	1.05	1.00	1.18	1.88	2.09	0.83	0.80	1.07	1.14
12.70	13.54	6.66	12.67	28.71	28.32	11.01	10.12	11.56	21.41	10.85	14.92
5.64	5.40	5.56	5.24	5.28	4.73	3.92	3.59	6.58	6.62	5.62	5.30
33.81	38.51	36.43	38.50	33.53	36.35	34.00	35.25	35.30	35.14	34.33	35.85
54.23	52.26	55.21	53.94	47.11	46.00	50.67	50.50	51.81	51.74	52.12	51.83
7.35	8.68	7.20	7.84	6.28	7.42	5.15	5.90	4.31	4.95	5.33	5.86
41.49	38.57	41.83	39.15	32.42	27.64	52.35	49.52	43.69	42.06	43.45	41.51
								16.02	15.79		
24.82	23.25	24.18	22.75	21.28	21.23	9.14	8.81			19.33	17.87
10.02	10.18	11.24	11.96	10.79	11.50	20.80	20.94	13.44	13.49	11.44	11.96
2.931.84	2.876.89	3.024.29	3.167.90	1.823.65	1.720.04	1.459.43	1.380.07	6.105.12	6.022.56	38.465.09	39.155.63
63.802.80	59.288.55	82.729.11	74.672.47	40.652.68	33.884.59	54.191.22	47.807.63	118.400.75	105.688.96	912.097.30	861.997.21

CARRIER GROUP C

This group is comprised of 115 Class I general freight carriers with annual revenues of $25 million or more. Carriers grossing between $5 and $25 million, previously part of Group C, are now classified as Group B. In 1981 Group C carriers accounted for 80.0% of gross revenues and 75.7% of net income after taxes of all general freight carriers included in this report. Many of the Group E publicly-held carriers are also included in Group C.

As in prior analyses, carriers have been segregated according to average length of haul (ALOH) with the focus of this section on variations between short-haul and long-haul groups. Furthermore, Group C carriers have been split into two revenue divisions. The same companies are included for both years to ensure data comparability.

Group C-1 consists of 76 carriers with annual revenues between $25 and $100 million while Group C-2 includes 39 carriers with annual revenues exceeding $100 million.

Group C-1 Operating Performance

Revenues for the 76 carriers included in C-1 increased a healthy 11.3% to $3.75 billion in 1981. A 12.1% increase in operating expenses raised the operating ratio 68 basis points to 97.08, resulting in net carrier operating income of $109.4 million—a 9.7% reduction from the prior year. Interest expense increased sharply (23.9% year to year) and resulted in after tax profits (before extraordinary items) in 1981 of $34 million. The above earnings were the result of a slight increase in tons (2.7%) a moderate increase in miles (7.0%) and essentially flat revenue per ton-mile (from 18.73¢ to 18.90¢).

While the operating results for C-1 appear reasonable in light of the performance of the overall general freight industry, the aggregate data conceals the differences in results of the short and long-haul carriers. In general, the 28 short-haul companies fared better in 1981 than the 48 long-haul companies.

Sparked by a 10.3% increase in revenue per ton-mile and moderate increases in tons and miles, the short-haul carriers enjoyed a robust 15% increase in revenues. Despite a 15.3% increase in operating expenses, (which pushed the operating ratio up 18 basis points to 96.16), net carrier operating income actually increased 9.9% to $46.4 million. Net profit after taxes (before extraordinary items) increased 4.9% over the 1980 level to $20.5 million. These results were superior to the composite ABC data.

The performance of the long-haul carriers was more on par with the general freight industry overall. A 10.7% increase in operating expenses was not fully covered by a 9.6% increase in revenues. While miles were up modestly, tons were flat, and revenue per ton-mile showed a 1.8% decline. The higher expenses resulted in an increase of 93 basis points in the operating ratio to 97.52, and a 20.2% reduction in year-to-year net carrier operating income of $63 million. The long-haul carriers were responsible for much of the interest expense referred to earlier. Interest expense increased 31.3%, reducing after tax earnings to $13.5 million—54.5% lower than the earnings achieved in 1980.

The lower earnings for the long-haul carriers caused their aggregate return on equity to plummet 55.9% to 3.8%. ROE for the short-haul group remained basically flat at 9.4%.

Liquidity

The liquidity of the short-haul carriers in C-1 was better than that of the long-haul group with cash flow actually increasing 5.9% for the year. Nonetheless, both segments had current ratios less than the composite at 1.23 to 1 and fewer days cash operating expenses in working capital. The long-haul group at 5.2 days cash operating expenses in working capital had 6½ less days than the composite while the short-haul group with 9.9 days was about 1½ days shy of the composite.

The long-haul carriers were much more highly leveraged than the short-haul group. The level of debt for this segment was well above that for the other groups. Conversely, equity (at 36.3% of footings) is lower than the composite of 42.6%, while for the short-haul segments with their stronger balance sheets, equity represented 45.6% of footings. As a result, funded debt to equity for the carriers with ALOH less than 250 miles was .41 to 1 while those with ALOH over 250 miles was .73 to 1. Net debt to equity for the long-haul group at .44 to 1 was double that of the short-haul firms.

Debt coverage of the short-haul group was superior to both the long-haul segment and the composite with cash flow to total funded debt at 74%. Theoretically, if this group could apply all cash flow to total funded debt they would be able to pay the amount owed in approximately 16 months. However, the long-haul group with cash flow to funded debt due in one year at 146% and cash flow to total funded debt at 39%, would need close to 2½ years to repay their debts from cash flow.

As a whole, C-1 remained the most leveraged group due to the heavy debt position of the long-haul carriers. The profitability of the group was only marginally better than Group A companies, while from a liquidity standpoint C-1 carriers, by most measures, did not compare as favorably. The performance of the regional carriers within the group was superior to the longer-haul firms perhaps because they are directly competing against the larger, better capitalized carriers in C-2.

Group C-2 Operating Performance

Aggregate revenues for the 39 general freight carriers grossing over $100 million in 1981 were up 7.5% to $10.7 billion, reflecting a 3% decline in tons, marginally lower miles, but a 9.6% increase in revenue per ton-mile. With carrier operating expenses increasing 9.2%, the operating ratio was increased 150 basis points to 97.41—a level not achieved in recent history. The resultant carrier operating income was down 31.9% to $278 million, with after tax profits declining 36.4% from the 1980 level to $139 million.

Carrier Group C-2 is subdivided into 4 groups based on length of haul, 0-250, 251-500, 501-750 and 751 miles and over.

With a lower number of companies comprising Group C-2 (as compared to A, B and C-1), the distortions in the aggregate numbers due to individual variances becomes evident. The trends in the aggregate data are discussed, not necessarily to describe the average "carrier C-2" company, but to provide readers with a benchmark or yardstick.

Of relevance to this specific analysis is that while the C-2 composite posted a 36.4% after tax reduction in profits in 1981, fully 46% of the 39 carriers reported a loss.

Aggregate Results

Results within the ALOH categories are as follows:

ALOH 0-250

This group of 3 companies turned in the best gains. Revenues increased 23.8%, reflecting sharp increases in tons and miles and a 21.4% increase in revenue per ton-mile. Operating expenses nearly kept pace with the revenue increase (21.9% higher than 1980), resulting in a 97.35 operating ratio. This operating ratio was 146 basis points lower than for the previous year. The gains of this group, therefore, reflect corrections of a difficult 1980, rather than an outperformance of all other groups in 1981.

ALOH 251-500

This group of 11 companies increased revenues 13.5% to $1,747 million. A modest rise in miles, flat tonnage, and a 6.9% rise in revenue per ton-mile were responsible for the increase. Operating expenses increased 15.8%, increasing the operating ratio by 192 basis points to 97.10. After tax profits of $23.1 million were 41.2% lower than for the previous year.

ALOH 501-750

In aggregate, these 12 companies posted a 6.9% increase in revenues, fueled by a 9.0% increase in revenue per ton-mile but restrained by a 4.5% decline in tons and a minimal decline in miles. An 8.4% increase in operating expense increased the operating ratio by 136 basis points to 98.12—the highest level reported by the C-2 group. After tax profits of $9.5 million were 76.1% lower than for the previous year. Of note, is that of the 12 carriers, 5 turned in losses aggregating $31 million. The remaining 7 thus earned over $40 million.

ALOH 751 and Over

The 13 companies in this group posted a modest revenue increase of 5%, reflecting declines in tons (6.4%) and miles (4.2%) and a 9.3% increase in revenue per ton-mile. As with the other subgroups, expenses increased faster than revenues, causing the operating ratio to increase 165 basis points to 97.13. This group earned substantial nonoperating income (approximately $50 million in 1981), which increased after tax earnings to $95.5 million. Of the 13 carriers, 8 reported losses totaling $49 million, with the remaining 5 posting earnings totaling $145 million.

Within the various ALOH categories, carriers with an ALOH of 501 through 750 miles experiences the lowest profits with a net margin of 0.3%. The return on equity was only 2.6%—the poorest of the C-2 group . Equity represented only 32.0% of footings. For carriers with an ALOH over 750 miles, return on equity was 10.1%—the best in the C-2 group, yet off 35.1% from last year's 15.6% return.

Liquidity

The liquidity measures for C-2 carriers were off in 1981 with only the average days collection period improved by 2½ days to 27.3 days. Cash flow was down 18.9% and working capital was lower by 17.5% in 1981. Both the current ratio at 1.24 to 1 and days cash operating expenses in working capital at 12 days compared favorably with those of the C-1 carriers; however, the group was less liquid than the smaller Group B carriers in regard to these two measures. Among the various ALOH groups, carriers with hauls averaging 251 through 500 miles and those with hauls 501 through 750 miles were in the most illiquid positions. Carriers in both groups had small amounts of working capital with current ratios slightly over 1 to 1 and less than 3½ days of cash operating expenses in working capital. In fact, almost half the carriers in both segments had negative working capital in 1981.

Leverage

The C-2 carriers were the least leveraged of the carrier groups. Total funded debt, which showed little year-to-year change, amounted to 14.9% of footings while equity, up 9.5% in 1981, was 43.4% of footings. The debt to equity ratio for the group was .34 to 1 and only the carriers with an ALOH of 501 through 750 miles exceeded that level. Their debt to equity ratio was .64 to 1 largely reflecting the strained financial position of several members.

Debt service capability of C-2 carriers dropped sharply in 1981 though it remained at an acceptable level. Cash flow to funded debt due in one year was 485%, well above the general freight carrier composite of 336%. Cash flow to total funded debt was 74%, theoretically implying that if all cash flow could be applied to total funded debt, these carriers would be out of debt in 16 months.

Overall, C-2 carriers in the aggregate experienced a decreased level of earnings in 1981 but managed to maintain adequate liquidity and, with some exceptions, low leverage.

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Combined Carrier Group C

Carriers with Revenues between $25,000,000 and $100,000,000

Average Length of Haul	250 Miles and Under				251 Miles and Over				Sub-Total Group C-1			
Number of Carriers	28				48				76			
Year	1981		1980		1981		1980		1981		1980	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data												
Gross Revenues	1,209.06	100.0	1,050.94	100.0	2,536.60	100.0	2,314.44	100.0	3,745.67	100.0	3,365.38	100.0
Depreciation	45.55	3.8	41.89	4.0	88.31	3.5	81.61	3.5	133.85	3.6	123.50	3.7
Purchased Transportation	95.20	7.9	67.43	6.4	518.87	20.5	416.15	18.0	614.07	16.4	483.58	14.4
Total Operating Expenses	1,162.65	96.2	1,008.72	96.0	2,473.65	97.5	2,235.55	96.6	3,636.30	97.1	3,244.27	96.4
Net Carrier Operating Income	46.42	3.8	42.22	4.0	62.96	2.5	78.89	3.4	109.37	2.9	121.11	3.6
Interest Expense	14.01	1.2	13.57	1.3	49.51	2.0	37.70	1.6	63.52	1.7	51.27	1.5
Net Income Before Taxes	36.19	3.0	29.27	2.8	30.32	1.2	44.56	1.9	56.51	1.8	73.83	2.2
Income Taxes—Current	15.44	1.3	8.58	0.8	17.67	0.7	16.82	0.7	33.12	0.9	25.40	0.8
Deferred Income Taxes	1.00	0.1	2.29	0.2	2.13	0.1	0.68	0.0	3.13	0.1	1.61	0.0
Equity in Earnings of Affil	0.77	0.1	1.16	0.1	3.68	0.1	1.32	0.1	4.45	0.1	2.48	0.1
Income Before Extra Items	20.52	1.7	19.56	1.9	13.54	0.5	29.74	1.3	34.07	0.9	49.30	1.5
Extraordinary Items	3.36	0.3	20.78 -	2.0 -	17.87	0.7	66.88 -	2.9 -	21.23	0.6	87.67 -	2.6 -
Net Income After Taxes	23.89	2.0	1.22 -	0.1 -	31.41	1.2	37.15 -	1.6 -	55.30	1.5	38.37 -	1.1 -
Balance Sheet												
Assets												
Cash	51.63	10.7	36.09	8.1	69.07	7.0	59.99	6.4	120.71	8.2	96.08	6.9
Receivables from Affiliates	13.50	2.8	6.82	1.5	28.23	2.9	17.90	1.9	41.73	2.8	24.72	1.8
Notes & Accounts Receivable	89.60	18.6	84.49	18.9	191.19	19.4	202.11	21.6	280.80	19.2	286.60	20.7
Prepaid Expenses	12.16	2.5	11.43	2.6	34.49	3.5	32.22	3.4	46.65	3.2	43.65	3.2
Materials & Supplies	13.97	2.9	14.87	3.3	24.10	2.4	23.30	2.5	38.07	2.6	38.18	2.8
Other Current Assets	4.24	0.9	1.71	0.4	7.50	0.8	9.61	1.0	11.75	0.8	11.33	0.8
Total Current Assets	185.11	38.4	155.41	34.7	354.59	36.0	345.14	36.9	539.71	36.8	500.55	36.2
Carrier Operating Property	512.09	106.3	473.03	105.7	958.65	97.4	877.87	93.8	1,470.75	100.3	1,350.90	97.7
Reserve for Depreciation	270.25	56.1	238.75	53.4	462.37	47.0	410.00	43.8	732.62	50.0	648.74	46.9
Carrier Operating Property Net	241.85	50.2	234.28	52.4	496.28	50.4	467.88	50.0	738.13	50.4	702.15	50.8
Total Tangible Property	247.83	51.5	240.96	53.9	505.27	51.3	481.59	51.5	753.11	51.4	722.55	52.2
Intangibles	4.25	0.9	6.50	1.5	16.90	1.7	8.21	0.9	21.15	1.4	14.71	1.1
Other Assets	44.33	9.2	44.53	10.0	107.60	10.9	100.94	10.8	151.93	10.4	145.47	10.5
Total Assets	481.53	100.0	447.40	100.0	984.37	100.0	935.88	100.0	1,465.89	100.0	1,383.28	100.0
Liabilities & Equity												
Payables to Affiliates	13.98	2.9	7.60	1.7	27.71	2.8	33.84	3.6	41.69	2.8	41.44	3.0
Notes Payable	7.53	1.6	3.38	0.8	3.46	0.4	4.80	0.5	10.99	0.7	8.18	0.6
Accounts Payable	48.18	10.0	43.02	9.6	94.89	9.6	93.79	10.0	143.08	9.8	136.82	9.9
Misc. Payables & Accruals	14.15	2.9	11.86	2.7	26.35	2.7	27.20	2.9	40.49	2.8	39.06	2.8
Taxes Payable	10.63	2.2	1.71	0.4	18.59	1.9	17.14	1.8	29.22	2.0	18.84	1.4
Funded Debt Due Within One Year	11.57	2.4	12.60	2.8	68.82	7.0	50.16	5.4	80.39	5.5	62.76	4.5
Other Current Liabilities	48.68	10.1	44.43	9.9	80.94	8.2	75.08	8.0	129.62	8.8	119.51	8.6
Total Current Liabilities	154.72	32.1	124.60	27.9	320.76	32.6	302.01	32.3	475.48	32.4	426.61	30.8
Advances Payable	9.20	1.9	9.86	2.2	67.15	6.8	39.93	4.3	76.35	5.2	49.79	3.6
Funded Debt Due After One Year	78.39	16.3	82.25	18.4	191.31	19.4	198.46	21.2	269.69	18.4	280.71	20.3
Total Long Term Debt	87.59	18.2	92.11	20.6	258.45	26.3	238.38	25.5	346.04	23.6	330.50	23.9
Total Funded Debt	89.96	18.7	94.86	21.2	260.13	26.4	248.61	26.6	350.09	23.9	343.47	24.8
Reserves & Est Liabilities	5.23	1.1	3.54	0.8	13.97	1.4	10.22	1.1	19.20	1.3	13.76	1.0
Accum Deferred Tax Credits	14.56	3.0	18.54	4.1	34.20	3.5	39.26	4.2	48.76	3.3	57.79	4.2
Total Liabilities	262.10	54.4	238.79	53.4	627.38	63.7	589.87	63.0	889.48	60.7	828.66	59.9
Stockholder's Equity	219.43	45.6	208.61	46.6	356.98	36.3	346.01	37.0	576.41	39.3	554.62	40.1
Total Capital	307.01	63.8	300.72	67.2	615.44	62.5	584.40	62.4	922.45	62.9	885.12	64.0
Total Liabilities & Equity	481.53	100.0	447.40	100.0	984.37	100.0	935.88	100.0	1,465.89	100.0	1,383.28	100.0

Carriers with Revenues over $100,000,000

Average Length of Haul	250 Miles and Under			
Number of Carriers	3			
Year	1981		1980	
Income Statement	$	%	$	%
Income & Expense Data				
Gross Revenues	458.17	100.0	370.20	100.0
Depreciation	5.11	1.1	4.81	1.3
Purchased Transportation	103.08	22.5	83.24	22.5
Total Operating Expenses	446.04	97.4	365.79	98.8
Net Carrier Operating Income	12.12	2.6	4.41	1.2
Interest Expense	3.09	0.7	3.67	1.0
Net Income Before Taxes	10.11	2.3	1.49	0.4
Income Taxes—Current	2.23	0.5	2.41	0.7
Deferred Income Taxes	0.36	0.1	1.03	0.3
Equity in Earnings of Affil	2.93	0.6	3.82	1.0
Income Before Extra Items	10.64	2.3	1.88	0.5
Extraordinary Items	1.22	0.3	5.30 -	1.4 -
Net Income After Taxes	11.86	2.6	3.42	0.9
Balance Sheet				
Assets				
Cash	4.53	2.2	5.69	3.4
Receivables from Affiliates	42.10	20.4	22.06	13.0
Notes & Accounts Receivable	33.16	16.1	30.13	17.8
Prepaid Expenses	3.83	1.9	3.05	1.8
Materials & Supplies	3.86	1.9	3.86	2.3
Other Current Assets	0.92	0.4	0.96	0.6
Total Current Assets	88.40	42.8	65.75	38.8
Carrier Operating Property	126.61	61.3	109.73	64.8
Reserve for Depreciation	52.50	25.4	48.35	28.5
Carrier Operating Property Net	74.10	35.9	61.38	36.2
Total Tangible Property	74.10	35.9	61.87	36.5
Intangibles	1.79	0.9	1.29	0.8
Other Assets	42.09	20.4	40.50	23.9
Total Assets	206.38	100.0	169.41	100.0
Liabilities & Equity				
Payables to Affiliates	31.79	15.4	17.58	10.4
Notes Payable	0.68	0.3	0.35	0.2
Accounts Payable	10.77	5.2	11.20	6.6
Misc. Payables & Accruals	4.78	2.3	3.42	2.0
Taxes Payable	5.41	2.6	2.46	1.5
Funded Debt Due Within One Year	0.86	0.4	0.93	0.5
Other Current Liabilities	14.30	6.9	11.76	6.9
Total Current Liabilities	68.60	33.2	47.70	28.2
Advances Payable	20.51	9.9	24.74	14.6
Funded Debt Due After One Year	17.63	8.5	13.53	8.0
Total Long Term Debt	38.14	18.5	38.27	22.6
Total Funded Debt	18.50	9.0	14.46	8.5
Reserves & Est Liabilities	2.48	1.2	2.74	1.6
Accum Deferred Tax Credits	3.88	1.9	5.91	3.5
Total Liabilities	113.10	54.8	94.62	55.9
Stockholder's Equity	93.28	45.2	74.79	44.1
Total Capital	131.42	63.7	113.05	66.7
Total Liabilities & Equity	206.38	100.0	169.41	100.0

Analytical Data

	250 Miles and Under		251 Miles and Over		Sub-Total Group C-1		250 Miles and Under	
	1981	1980	1981	1980	1981	1980	1981	1980
Operating Performance								
Gross Revenues to Equity	5.51	5.04	7.11	6.69	6.50	6.07	4.91	4.95
Gross Revenues to Total Capital	3.94	3.49	4.12	3.96	4.06	3.80	3.49	3.27
Gross Revenues to Net Carr Oper Prop	5.00	4.49	5.11	4.95	5.07	4.79	6.18	6.03
Gross Revenues to Carr Oper Prop (Cost)	2.36	2.22	2.65	2.64	2.55	2.49	3.62	3.37
Pre-Tax Income to Gross Revenues, %	2.99	2.78	1.20	1.93	1.78	2.19	2.26	0.40
Pre-Tax Income to Total Capital, %	11.79	9.73	4.93	7.62	7.21	8.34	7.87	1.32
After Tax Income to Gross Revenues, %	1.70	1.86	0.53	1.28	0.91	1.46	2.32	0.51
After Tax Income to Equity, %	9.35	9.38	3.79	8.59	5.91	8.89	11.40	2.51
Return on Transportation Investment, %	17.05	15.93	11.88	15.44	13.63	15.61	12.92	5.55
Expense Ratio, %	97.32	97.27	99.47	98.22	98.78	97.92	98.03	99.80
Operating Ratio, %	96.16	95.98	97.52	96.59	97.08	96.40	97.35	98.81
Average Revenue Per Carrier	43.18	37.53	52.85	48.22	49.29	44.28	152.72	123.40
Net Income Per Carrier	0.73	0.70	0.28	0.62	0.45	0.65	3.55	0.63
Liquidity								
Cash Throw Off, Dollars	66.29	62.58	100.30	109.35	166.60	171.93	13.19	3.89
Working Capital, Dollars	30.39	30.81	33.83	43.13	64.23	73.94	19.60	18.05
Current Ratio	1.20	1.25	1.11	1.14	1.14	1.17	1.29	1.38
Days Cash Oper Exp in Work Cap	9.91	11.60	5.16	7.28	6.68	8.62	16.40	18.25
Average Days Collection Period	27.05	29.34	27.51	31.87	27.36	31.08	26.42	29.71
Leverage & Debt Service								
Funded Debt to Equity	0.41	0.45	0.73	0.72	0.61	0.62	0.20	0.19
Net Debt to Equity	0.22	0.25	0.44	0.45	0.36	0.37	0.02 -	0.06 -
Funded Debt to Tangible Net Worth	0.42	0.47	0.76	0.74	0.63	0.64	0.20	0.20
Cash Throw to Funded Debt Due in One Year	572.94	496.60	145.74	218.01	207.23	273.94	1,529.77	420.36
Cash Throw to Total Funded Debt, %	73.99	65.97	38.56	43.98	47.59	50.06	71.30	26.90
Interest to Total Funded Debt, %	15.57	14.31	19.03	15.16	18.14	14.93	16.71	25.39
Carrier Property (Net) to Equity	1.10	1.12	1.39	1.35	1.28	1.27	0.79	0.82
Additional Ratios								
Receivables to Payables	1.61	1.82	1.94	2.05	1.82	1.98	2.90	2.61
Deprec to Debt Due in One Year	3.94	3.32	1.26	1.63	1.66	1.97	5.93	5.20
Total Tang Prop to Equity	1.13	1.16	1.42	1.39	1.31	1.30	0.79	0.83
Income Before Extra Items Etc to Equity, %	9.35	9.38	3.98	8.59	6.02	8.89	11.40	2.51
Gross Revenues to Total Tang Prop	4.88	4.36	5.02	4.81	4.97	4.66	6.18	5.98
Productivity Measures (Int-Cty Carr Only)								
Total Payroll to Revenues, %	41.93	43.51	33.92	35.76	36.56	38.22	32.20	32.52
Total Payroll (WPT) to Revenues, %	49.80	49.93	53.05	52.42	51.98	51.63	68.76	70.42
Cargo Handler Compen to Revenues, %	7.85	8.27	5.96	6.52	6.58	7.08	6.11	6.32
Linehaul Expenses to Revenues, %	31.74	29.68	45.99	43.99	41.13	39.44	42.93	40.96
Revenue Per Ton-Mile, Cents	36.58	33.16	15.24	15.52	18.90	18.73	47.36	39.00
Average Load, Tons	9.61	9.90	13.59	13.23	12.64	12.44	7.59	8.06
Total Tons, Thous	16,996.54	16,036.40	29,962.99	29,669.60	46,959.54	45,706.00	4,394.46	3,622.59
Total Miles, Thous	338,080.13	314,524.51	1,082,912.51	1,013,908.80	1,420,992.64	1,328,433.31	71,277.55	63,059.97

Dollar Amounts in Millions

BEST AVAILABLE COPY

251 Through 500 Miles 11				501 Through 750 Miles 12				751 Miles and Over 13				Total Carriers with Gross Revenues Over $100,000,000 Subtotal Group C-2 39				Total Carriers with Gross Revenues Over $25,000,000 Combined Group C 115			
1981		1980		1981		1980		1981		1980		1981		1980		1981		1980	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
1,747.33	100.0	1,539.46	100.0	3,001.15	100.0	2,806.91	100.0	5,524.63	100.0	5,263.38	100.0	10,731.28	100.0	9,979.96	100.0	14,476.94	100.0	13,345.34	100.0
67.97	3.9	60.39	3.9	118.07	3.9	111.54	4.0	222.91	4.0	225.24	4.3	414.07	3.9	401.98	4.0	547.92	3.8	525.47	3.9
149.22	8.5	129.39	8.4	348.53	11.6	320.75	11.4	305.39	5.5	244.22	4.6	906.21	8.4	777.60	7.8	1,520.28	10.5	1,261.18	9.5
1,696.67	97.1	1,465.20	95.2	2,944.60	98.1	2,715.76	96.8	5,366.06	97.1	5,025.38	95.5	10,453.37	97.4	9,572.12	95.9	14,089.66	97.3	12,816.39	96.0
50.66	2.9	74.26	4.8	56.54	1.9	91.15	3.2	158.57	2.9	238.01	4.5	277.91	2.6	407.83	4.1	387.28	2.7	528.94	4.0
18.15	1.0	11.24	0.7	42.13	1.4	37.29	1.3	50.81	0.9	56.13	1.1	114.18	1.1	108.33	1.1	177.70	1.2	159.60	1.2
43.23	2.5	67.36	4.4	10.69	0.4	53.51	1.9	159.99	2.9	209.07	4.0	224.25	2.1	331.43	3.3	290.76	2.0	405.26	3.0
20.29	1.2	18.78	1.2	8.38	0.3	7.63	0.3	86.37	1.6	68.00	1.3	117.31	1.1	96.81	1.0	150.42	1.0	122.21	0.9
1.89	0.1	10.55	0.7	3.18	0.1	8.36	0.3	14.08	0.3	18.20	0.3	15.01	0.1	38.13	0.4	11.88	0.1	39.75	0.3
2.08	0.1	1.28	0.1	4.05	0.1	2.40	0.1	8.88	0.2	10.13	0.2	17.93	0.2	17.63	0.2	22.38	0.2	20.11	0.2
23.12	1.3	39.31	2.6	9.55	0.3	39.93	1.4	95.51	1.7	137.22	2.6	138.82	1.3	218.33	2.2	172.88	1.2	267.63	2.0
11.59	0.7	31.15	2.0	39.14	1.3	104.11	3.7	87.16	1.6	212.68	4.0	139.10	1.3	353.24	3.5	160.34	1.1	440.91	3.3
34.71	2.0	8.16	0.5	48.68	1.6	64.19	2.3	182.67	3.3	75.46	1.4	277.92	2.6	134.91	1.4	333.22	2.3	173.28	1.3
33.77	4.3	42.44	5.8	35.86	3.1	58.62	5.0	403.67	15.7	345.23	13.9	477.83	10.1	451.97	9.9	598.53	9.7	548.05	9.2
23.10	2.9	28.82	4.0	11.46	1.0	12.85	1.1	6.40	0.2	11.40	0.5	83.07	1.8	75.14	1.7	124.81	2.0	99.86	1.7
142.39	18.1	144.48	19.8	213.62	18.7	226.37	19.4	413.39	16.1	413.90	16.7	802.55	17.0	814.89	17.9	1,083.35	17.5	1,101.49	18.6
28.62	3.6	21.89	3.0	51.98	4.5	51.40	4.4	108.14	4.2	102.75	4.2	192.57	4.1	179.08	3.9	239.22	3.9	222.73	3.8
19.31	2.5	17.15	2.4	26.25	2.3	29.87	2.6	71.29	2.8	73.50	3.0	120.71	2.6	124.38	2.7	158.78	2.6	162.55	2.7
2.47	0.3	2.11	0.3	20.24	1.8	11.32	1.0	22.88	0.9	14.77	0.6	46.51	1.0	29.16	0.6	58.26	0.9	40.49	0.7
249.66	31.8	256.88	35.2	359.41	31.4	390.44	33.4	1,025.77	39.9	961.55	38.8	1,723.25	36.6	1,674.62	36.9	2,262.95	36.7	2,175.17	36.7
801.09	102.1	687.93	94.3	1,299.41	113.5	1,223.59	104.7	2,383.82	92.7	2,254.32	91.1	4,610.92	97.9	4,275.58	94.1	6,081.67	98.5	5,626.47	94.9
350.70	44.7	298.05	40.9	600.43	52.4	548.09	46.9	1,100.48	42.8	976.76	39.5	2,104.12	44.7	1,871.24	41.2	2,836.74	45.9	2,519.93	42.5
450.38	57.4	389.88	53.5	698.98	61.1	675.50	57.8	1,283.34	49.9	1,277.56	51.6	2,506.80	53.2	2,404.33	52.9	3,244.93	52.6	3,106.49	52.4
454.70	58.0	395.10	54.2	705.50	61.6	680.56	58.2	1,306.17	50.8	1,296.12	52.4	2,540.47	54.0	2,433.65	53.6	3,293.57	53.3	3,156.20	53.3
13.68	1.7	13.67	1.9	2.32	0.2	0.37	0.0	4.84	0.2	6.15	0.2	22.62	0.5	21.47	0.5	43.78	0.7	36.19	0.6
66.55	8.5	63.63	8.7	77.64	6.8	97.14	8.3	235.30	9.1	211.65	8.5	471.58	9.0	412.92	9.1	573.51	9.3	558.40	9.4
784.59	100.0	729.28	100.0	1,144.87	100.0	1,168.51	100.0	2,572.08	100.0	2,475.47	100.0	4,707.92	100.0	4,542.67	100.0	6,173.82	100.0	5,925.96	100.0
11.33	1.4	16.03	2.2	9.19	0.8	7.15	0.6	12.31	0.5	15.05	0.6	64.62	1.4	55.82	1.2	106.31	1.7	97.25	1.6
0.45	0.1	0.21	0.0	0.00	0.0	0.09	0.0	3.77	0.1	2.68	0.1	4.91	0.1	3.33	0.1	15.90	0.3	11.51	0.2
64.33	8.2	53.66	7.4	84.74	7.4	93.85	8.0	224.50	8.7	209.14	8.4	384.34	8.2	367.85	8.1	527.42	8.5	504.67	8.5
21.47	2.7	18.93	2.6	38.00	3.3	36.50	3.1	69.85	2.7	76.28	3.1	134.10	2.8	135.13	3.0	174.59	2.8	174.19	2.9
14.06	1.8	7.65	1.0	25.39	2.2	25.78	2.2	63.10	2.5	69.75	2.8	107.97	2.3	105.63	2.3	137.19	2.2	124.47	2.1
38.89	5.0	16.23	2.2	21.37	1.9	18.05	1.5	46.02	1.8	35.49	1.4	107.14	2.3	70.69	1.6	187.53	3.0	133.45	2.3
83.99	10.7	62.21	8.5	169.78	14.8	158.34	13.6	320.57	12.5	301.81	12.2	588.64	12.5	534.12	11.8	718.26	11.6	653.63	11.0
234.52	29.9	174.91	24.0	348.47	30.4	339.76	29.1	740.12	28.8	710.20	28.7	1,391.71	29.6	1,272.57	28.0	1,867.19	30.2	1,699.18	28.7
40.13	5.1	51.99	7.1	131.50	11.5	134.19	11.5	142.11	5.5	142.06	5.7	334.25	7.1	352.97	7.8	410.60	6.7	402.76	6.8
64.66	8.2	66.14	9.1	212.48	18.6	210.38	18.0	298.61	11.6	332.89	13.4	593.38	12.6	622.94	13.7	863.07	14.0	903.65	15.2
104.79	13.4	118.13	16.2	343.98	30.0	344.56	29.5	440.72	17.1	474.95	19.2	927.63	19.7	975.91	21.5	1,273.67	20.6	1,306.41	22.0
103.54	13.2	82.37	11.3	233.85	20.4	228.42	19.5	344.63	13.4	368.38	14.9	700.52	14.9	693.63	15.3	1,050.60	17.0	1,037.10	17.5
16.85	2.1	13.17	1.8	34.51	3.0	25.00	2.1	66.32	2.6	54.72	2.2	120.17	2.6	95.67	2.1	139.38	2.3	109.39	1.8
33.77	4.3	54.69	7.5	51.61	4.5	93.64	8.0	135.58	5.3	177.52	7.2	224.83	4.8	331.76	7.3	273.60	4.4	389.56	6.6
389.93	49.7	360.90	49.5	778.57	68.0	802.96	68.7	1,382.75	53.8	1,417.40	57.3	2,664.35	56.6	2,675.88	58.9	3,553.83	57.6	3,504.54	59.1
394.66	50.3	368.39	50.5	366.30	32.0	365.55	31.3	1,189.33	46.2	1,058.07	42.7	2,043.57	43.4	1,866.79	41.1	2,619.98	42.4	2,421.41	40.9
499.45	63.7	486.51	66.7	710.28	62.0	710.11	60.8	1,630.05	63.4	1,533.03	61.9	2,971.20	63.1	2,842.71	62.6	3,893.65	63.1	3,727.83	62.9
784.59	100.0	729.28	100.0	1,144.87	100.0	1,168.51	100.0	2,572.08	100.0	2,475.47	100.0	4,707.92	100.0	4,542.67	100.0	6,173.82	100.0	5,925.96	100.0

251 Through 500 Miles 1981	1980	501 Through 750 Miles 1981	1980	751 Miles and Over 1981	1980	Over $100,000,000 1981	1980	Over $25,000,000 1981	1980
4.43	4.18	8.18	7.68	4.65	4.97	5.25	5.35	5.53	5.51
3.50	3.16	4.23	3.95	3.39	3.43	3.61	3.51	3.72	3.58
3.88	3.95	4.29	4.16	4.30	4.12	4.28	4.15	4.46	4.30
2.18	2.24	2.31	2.29	2.32	2.33	2.33	2.33	2.38	2.37
2.47	4.38	0.36	1.91	2.90	3.97	2.09	3.32	2.01	3.04
8.66	13.85	1.50	7.54	9.81	13.64	7.55	11.66	7.47	10.87
1.32	2.55	0.32	1.42	1.73	2.61	1.29	2.19	1.19	2.01
5.86	10.67	2.61	10.92	8.03	12.97	6.79	11.70	6.60	11.05
10.88	15.74	7.96	12.55	10.11	15.57	9.79	14.53	10.64	14.76
98.14	95.91	99.52	98.08	98.05	96.54	98.47	97.00	98.55	97.23
97.10	95.18	98.19	96.75	97.13	95.48	97.41	95.91	97.32	96.04
138.85	139.95	250.10	233.91	424.97	404.88	275.16	255.90	125.89	116.05
2.10	3.57	0.80	3.33	7.35	10.56	3.56	5.60	1.50	2.33
90.90	108.97	120.39	157.43	295.46	370.52	519.94	640.81	686.54	812.74
15.14	81.97	10.94	50.68	285.65	251.35	331.54	402.05	395.77	475.99
1.06	1.47	1.03	1.15	1.39	1.35	1.24	1.32	1.21	1.28
5.36	21.22	1.41	7.08	20.25	19.08	12.03	15.96	10.64	14.10
29.74	34.26	25.98	29.44	27.31	28.70	27.30	29.80	27.31	30.13
0.26	0.22	0.64	0.62	0.29	0.35	0.34	0.37	0.40	0.43
0.13	0.04	0.55	0.44	0.01	0.08	0.13	0.12	0.18	0.18
0.27	0.23	0.64	0.63	0.29	0.35	0.38	0.38	0.41	0.43
233.76	671.37	563.32	872.40	642.08	1,044.00	485.31	906.48	366.10	609.01
87.79	132.30	51.48	68.92	85.73	100.58	74.22	92.38	65.35	78.37
17.53	13.65	18.02	16.33	14.74	15.24	16.30	15.62	16.91	15.39
1.14	1.06	1.91	1.85	1.08	1.21	1.23	1.29	1.24	1.28
2.20	2.68	2.52	2.41	1.81	1.95	2.06	2.20	1.99	2.13
1.75	3.72	5.53	6.18	4.84	6.35	3.86	5.69	2.92	3.94
1.15	1.07	1.93	1.86	1.10	1.22	1.24	1.30	1.26	1.30
5.86	10.67	2.61	10.92	8.12	12.57	6.85	11.47	6.66	10.88
3.84	3.90	4.25	4.12	4.23	4.06	4.22	4.10	4.40	4.23
41.59	41.45	40.19	40.28	40.85	41.36	40.57	40.87	39.51	40.19
50.13	49.86	51.80	51.71	46.45	46.15	49.20	48.88	49.93	49.58
7.92	7.72	8.39	8.29	9.62	9.73	8.88	8.91	8.28	8.44
37.64	36.91	46.01	45.72	42.83	42.30	42.87	42.41	42.42	41.65
22.38	20.93	16.82	15.43	16.63	15.22	17.74	16.19	18.03	16.76
11.68	12.09	13.90	13.96	14.62	14.74	13.82	14.02	13.52	13.64
19,714.93	19,756.42	26,956.17	28,216.49	28,422.15	30,367.84	79,487.71	81,963.34	126,447.25	127,669.33
630,430.11	585,975.41	1,269,706.37	1,288,908.01	2,129,398.68	2,221,939.68	4,100,812.71	4,159,883.07	5,521,805.35	5,488,316.38

CARRIER GROUP D

The firms comprising Group D are specialized common and contract motor carriers with revenues in excess of $1 million annually. The categories of carriers within Group D and the criteria for inclusion in this year's *Financial Analysis* are unchanged from previous analyses. The 1,247 Class I and II specialized carriers with 1981 revenues of $1 million or more are those for which consistent and comparable information was provided for both 1980 and 1981.

The table pertaining to Group D combines the ICC's 16 specialized carrier categories into eight segments. The Household Goods, Heavy Machinery, Petroleum Products, Agricultural Products, Motor Vehicles and Building Materials Groups match the ICC commodity classification precisely. The Refrigerated Products Group combines two ICC categories—Refrigerated Liquid Products and Refrigerated Solids. Table D's remaining Group of Other Special Commodities contains the following specific ICC commodity classifications: Dump Trucking, Armored Truck Service, Film and Associated Commodities, Forest Products, Mine Ores (excluding coal), Retail Store Delivery Service, Explosives or Dangerous Articles and Specific Commodities Not Elsewhere Classified. Note that, as in all carrier categories, the overall classification of a carrier reflects its highest percentage of revenues and does not mean the carrier necessarily handles only one type of traffic. Many household goods carriers, for example, also operate general freight divisions.

As a general rule, specialized motor carriers differ from general freight firms by concentrating on truckload quantities of freight. Because of this, they linehaul the traffic directly from shipper to receiver and have far fewer fixed facilities (terminals) than general freight firms. These operational circumstances allow them to make extensive use of leased owner-operators who provide either the tractor unit or the tractor and trailer. This is reflected in the account, purchased transportation. For example, carriers of Household Goods, Heavy Machinery and Refrigerated Products make the most extensive use of owner-operators, with purchased transportation absorbing over 50% of revenue. At the other extreme are Petroleum carriers and Motor Vehicle transporters whose use of owner-operators is quite low. Purchased transportation for liquid petroleum haulers is 22.5% of revenues and for motor vehicle transporters, 9.9%. For the three other groups, purchased transportation as a percent of revenues mirrors the average for the specialized group in total: Agricultural Products, 34.8%; Building Materials, 37.7%; and Other Specialized Commodities, 37.8%. While a general freight carrier will incur extensive expenses for pickup and delivery and terminals and platforms, the specialized carriers incur much heavier expenses in the linehaul only category.

Operating Performance

The revenues of the Group D carriers account for $14.28 billion, or 44.1% of the total revenues of all carriers in this *Financial Analysis*. For the year, revenues of the Group increased 9.9% over 1980—slightly greater than the 8.2% revenue increase of the general freight carriers. With operating expenses increasing at 10.4%, net carrier operating income dropped marginally by 2.3% to $524 million, representing a 3.7% return on revenues. Although these specialized carriers suffered declining profits, they fared better than their general freight counterparts whose operating income dropped 25% leaving a margin of 2.7% of 1981 revenues.

Among the firms supplying consistent statistics on tons handled and vehicle mileage, specialized carrier mileage increased 1.6% year-to-year (compared to a 1.3% gain for general freight) while tonnage fell a modest 0.4% (versus a 1.5% decline for general freight carriers).

The better performance than general freight carriers is also apparent from an analysis of their final income. Carrier operating income is adjusted by various nonoperating additions and subtractions to arrive at a final net income. While general freight carriers experienced a 26.4% drop in net income before taxes and a 33.5% drop in ordinary income after taxes, the specialized carriers saw net income before taxes increase 6.6%. This is attributed to a significant increase in nonoperating income of 60% to $163 million. After tax ordinary income rose by 11.2% to $319 million. More than half of the after tax increase was provided by equity in the earnings of affiliates. Tax credits related to the 1980 write-off of operating rights added another $31 million to net income for the year. Several financial ratios reveal the better 1981 financial status of specialized carriers compared to general freight carriers: return on equity (13.94% versus 7.06%), pretax income to total capital (14.28% versus 7.93%), and return on transportation investment (18.43% versus 11.10%).

Balance Sheet

The balance sheets of specialized carriers reflect various account differences as compared to those of general freight firms, principally reflecting the specialized carriers' heavier use of owner-operators and, thus, leased as opposed to owned equipment. (Note that purchased transportation in this Group accounts for 38.5% of revenues as compared to 12.5% of general freight carrier revenues.) Operating equipment, nevertheless, is the major asset of specialized carriers, but overall, they require less assets per dollar of revenue than do general freight firms. For each dollar of revenues, general freight carriers "utilize" over 21 cents in net carrier operating property while specialized carriers use only 16.8 cents. Consequently, specialized carriers require less debt and less equity per dollar of revenue than do general freight firms.

Aggregate total assets increased 2.1% with current assets growing by 1% and tangible property by 1.1%. Within the property account, there was a 4.9% addition to carrier operating property at cost but net carrier operating property increased only 0.5% as the reserve for depreciation increased 9.4%. The "other asset" account—which includes investments and advances and deferred charges grew by 12.2%.

Turning to liabilities and equity, there was a 2.8% fall in current liabilities, principally reflecting declines in payables to affiliates, notes payable and the current portion of funded debt. Total long-term debt also dropped by 6.6% and, hence, total funded debt declined by 5.9%. Reserves and estimated liabilities—a minor portion of total footings—increased by 9.5% from 1980 to 1981 and equity grew by 11.6%. In the current economic climate the growth in equity is encouraging. Equity represented almost 39% of total footings in 1980 and grew to 42.4% by 1981.

Liquidity

By virtually all liquidity measures the specialized carriers showed improvement in 1981. Working capital dollars increased 20.5% and will now

cover 12.2 days operating expenses, up slightly from 11.2 days in 1980. The current ratio also improved from 1.19 to 1.24, and the average days collection period dropped from 34 to less than 32 days. Dollars in cash flow also increased modestly, affording an improvement in coverage of current debt maturities as well as total debt coverage. Cash flow covered fully two-thirds of total funded debt in 1981, an improvement over the 60% coverage in 1980.

Leverage and Debt Service

The specialized carriers ended 1981 more liquid and better able to cover funded debt if total cash flow were applied to debt service. This reflects both the improved bottom line profitability for these carriers and the decline in the amount of funded debt on the balance sheet. The lack of growth in funded debt reflects the nominal additions to carrier operating property which is itself a reflection of excess capacity in the industry as well as the slightly greater use of purchased transportation by these firms in 1981. With debt down and equity increasing, the debt to equity ratio improved from 0.64 in 1980 to 0.54. Net debt to equity also improved appreciably—from 0.29 to 0.20. It should be noted, however, that the fleet is aging. The reserve for depreciation is 51.1% of the cost of equipment, up from 49% in 1980. A substantial business pickup in 1983 or 1984 could well spark a reversal in these ratios as additions to the fleet or replacements of older equipment are needed and funded debt begins to increase.

Productivity

Given today's economic climate, productivity measures were generally sound. With tonnage down 0.4% year to year, the carriers, nonetheless, managed to increase their average load from 13.04 to 13.35 tons. (This contrasts with a decline in average load handled by general freight carriers). Total payroll (including purchased transportation) was kept in line, accounting for 58.77% of revenues in 1980 and 59.00% in 1981. These firms also managed to increase their revenue per ton-mile from 9.73 cents to 10.18 cents—a 4.6% gain year to year.

In summary, the specialized carriers turned in a reasonable performance in 1981. Revenues for the year increased at a rate greater than the increase of 1980 over 1979 but are still running behind the increases posted a few years ago of 15 to 20%. The balance sheets continued to reflect a strong position with liquidity and leverage improved over 1980.

As mentioned previously, earnings were effected in 1980 by the write-off of operating rights, and in 1981 by the related tax credits. Unless otherwise stated, the following analyses refers to earnings before these extraordinary items.

Household Goods Carriers

The 112 household goods carriers generated 1981 revenues of $2.24 billion, or 15.7% of Group D total revenues. Revenues increased year to year by 7.6% but operating expenses increased faster (8.4%), to cause an operating ratio deterioration of 71 basis points to 98.11. Within operating expenses, purchased transportation increased 9.5%, consuming 53.3% of revenue dollars. Total payroll, including purchased transportation, however, accounted for only 14 basis points of the 71 basis point increase in the operating ratio.

Although net carrier operating income was down substantially (21.8%), these carriers managed to improve both income before taxes by 10.6% and ordinary income after taxes by 12.6%. Accounting for this difference in bottom-line results is the substantial significance of earnings generated from non-carrier activities such as packing and warehousing. In fact, non-carrier operating income in 1981 of approximately $67 million was higher than carrier operating income of $42 million, and it was $22 million higher than $45 million generated by these activites in 1980.

Individual carrier results show 76 (67.9%) of the 112 companies increasing revenue year to year. For 1981, 97 (86.6%) of these firms earned a profit, while 15 (13.4%) suffered losses. Only three of the 15 had losses in both years. Ninety-five carriers have been able to generate profits in both 1980 and 1981.

The balance sheet of the household goods carriers shows total footings down by 5.3% in 1981 from 1980. Shrinkage of current assets (55.2% of total footings) account for the majority of the reduction (down 11.5%), reflecting a 57.3% reduction in receivables from affiliates. Net carrier operating property showed little change (up 0.5%). On the other side of the ledger, current liabilities were cut 24.5% reflecting substantial declines in payables to affiliates, notes payable and taxes. Current maturities of funded debt also dropped (12.0%) although there was an increase in noncurrent funded debt. Stockholders' equity for these firms increased a healthy 20.1% in 1981.

With current liabilities dropping much faster than current assets, liquidity of the household goods carriers improved. The current ratio increased from 1.11 to 1.30 as dollars of working capital more than doubled. Working capital in 1981 covers almost 18 days of operating expenses compared to 1980 coverage of only 9 days. The average days collection period was cut modestly by about 2 days but at 48.5 days is much higher than for specialized carriers in total. Considering the customer base, this collection period is not unusual.

The doubling of working capital from $50 million to $105 million had an adverse affect on this group's return on transportation investment, since working capital is included in the denominator. In addition, non-carrier operating income is not included in the numerator. These two factors in 1981 pushed the return on transportation investment down substantially, from 24.50% to 15.33%. Considering the causes, the return on equity of 16.04% is perhaps a more meaningful figure for household goods carriers. Although over 1 point lower than in 1980, the 16.04% ROE is superior to that of all specialized carriers and is second among all the major carrier groups analyzed.

The healthy earnings previously discussed improved the group's cash flow by 12% and afforded them improved coverage of both current maturities of debt and long-term debt. Their ability to more than cover total debt with cash flow places these carriers in a very favorable position. Although interest expense to total debt increased year to year, funded debt to equity, already the lowest among all specialized carriers, dropped further to 0.16 from 0.20 in 1980.

In summary, although carrier operating earnings were down, total earnings increased year to year. Liquidity, leverage and return on equity continue to outperform most of Group D.

Heavy Machinery

Also relying on owner-operator transportation are heavy machinery haulers (51.5% of revenues spent on purchased transportation). Despite a sluggish economy, the 64 heavy machinery haulers did improve revenues by 6.9% year

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Carrier Group D

Commodity Classification	Household Goods				Heavy Machinery				Petroleum Products				Refrigerated Products			
Number of Carriers	112				64				121				107			
Year	1981		1980		1981		1980		1981		1980		1981		1980	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data																
Gross Revenues	2,241.48	100.0	2,082.50	100.0	745.33	100.0	697.39	100.0	1,583.98	100.0	1,543.60	100.0	1,292.76	100.0	1,192.07	100.0
Depreciation	23.70	1.1	21.26	1.0	19.10	2.6	15.97	2.3	91.23	5.8	87.29	5.7	43.51	3.4	42.08	3.5
Purchased Transportation	1,194.48	53.3	1,091.02	52.4	383.93	51.5	367.68	52.7	356.04	22.5	360.93	23.4	727.81	56.3	659.97	55.4
Total Operating Expenses	2,199.16	98.1	2,028.41	97.4	721.64	96.8	671.05	96.2	1,508.17	95.2	1,456.65	94.4	1,248.34	96.6	1,139.70	95.6
Net Carrier Operating Income	42.32	1.9	54.09	2.6	23.68	3.2	26.33	3.8	75.81	4.8	86.95	5.6	44.42	3.4	52.37	4.4
Interest Expense	17.12	0.8	15.71	0.8	9.51	1.3	6.97	1.0	37.77	2.4	34.62	2.2	17.49	1.4	15.39	1.3
Net Income Before Taxes	92.15	4.1	83.33	4.0	20.73	2.8	24.31	3.5	49.47	3.1	59.57	3.9	33.56	2.6	41.19	3.5
Income Taxes--Current	36.47	1.6	32.86	1.6	6.73	0.9	9.19	1.3	16.51	1.0	15.57	1.0	12.12	0.9	11.34	1.0
Deferred Income Taxes	1.31	0.1	1.23 -	0.1 -	0.60	0.1	0.58	0.1	2.22	0.1	5.23	0.3	1.19	0.1	3.00	0.3
Equity in Earnings of Affil	7.39	0.3	4.01	0.2	0.21	0.0	0.13	0.0	4.80	0.3	2.33	0.2	0.34	0.0	0.59	0.0
Income Before Extra Items	61.76	2.8	54.87	2.6	13.61	1.8	14.66	2.1	35.54	2.2	41.09	2.7	20.59	1.6	27.44	2.3
Extraordinary Items	2.63	0.1	6.48 -	0.3 -	7.00	0.9	19.02 -	2.7 -	4.18	0.3	20.98 -	1.4 -	2.53	0.2	13.54 -	1.1 -
Net Income After Taxes	64.39	2.9	48.40	2.3	20.60	2.8	4.35 -	0.6 -	39.72	2.5	20.11	1.3	23.12	1.8	13.90	1.2
Balance Sheet																
Assets																
Cash	33.60	4.1	25.25	2.9	23.62	8.9	18.25	7.6	73.03	9.5	66.17	8.6	26.11	6.6	25.54	6.4
Receivables from Affiliates	69.56	8.4	162.76	18.7	8.27	3.1	7.21	3.0	16.74	2.2	21.65	2.8	20.64	5.2	13.60	3.4
Notes & Accounts Receivable	297.84	36.0	290.28	33.3	82.97	31.3	80.18	33.4	120.28	15.6	130.65	16.9	93.70	23.6	94.05	23.7
Prepaid Expenses	18.39	2.2	16.12	1.8	9.73	3.7	7.45	3.1	25.86	3.3	25.11	3.3	14.04	3.5	12.37	3.1
Materials & Supplies	6.92	0.8	7.21	0.8	4.01	1.5	3.90	1.6	19.24	2.5	19.11	2.5	6.77	1.7	6.65	1.7
Other Current Assets	30.14	3.6	14.20	1.6	2.03	0.8	0.74	0.3	1.38	0.2	1.55	0.2	1.26	0.3	1.16	0.3
Total Current Assets	456.45	55.2	515.82	59.1	130.62	49.2	117.75	49.1	256.52	33.2	264.24	34.2	162.53	40.9	153.37	38.7
Carrier Operating Property	327.59	39.6	308.06	35.3	223.25	84.2	203.83	85.0	904.40	117.1	851.40	110.3	366.09	92.1	349.14	88.1
Reserve for Depreciation	156.09	18.9	137.37	15.7	110.98	41.8	101.09	42.2	472.10	61.1	418.72	54.3	174.90	44.0	152.17	38.4
Carrier Operating Property Net	171.51	20.8	170.69	19.6	112.27	42.3	102.75	42.9	432.30	56.0	432.68	56.1	191.19	48.1	196.97	49.7
Total Tangible Property	199.05	24.1	199.20	22.8	118.14	44.5	107.93	45.0	434.10	56.2	433.98	56.2	198.02	49.8	199.70	50.4
Intangibles	2.84	0.3	3.05	0.3	0.73	0.3	1.04	0.4	5.22	0.7	5.70	0.7	2.55	0.6	1.90	0.5
Other Assets	168.00	20.3	154.26	17.7	15.74	5.9	13.03	5.4	76.41	9.9	67.89	8.8	34.26	8.6	41.52	10.5
Total Assets	826.33	100.0	872.33	100.0	265.22	100.0	239.75	100.0	772.25	100.0	771.81	100.0	397.36	100.0	396.49	100.0
Liabilities & Equity																
Payables to Affiliates	62.26	7.5	74.01	8.5	5.46	2.1	4.98	2.1	8.67	1.1	11.43	1.5	17.78	4.5	16.39	4.1
Notes Payable	14.72	1.8	120.78	13.8	3.37	1.3	2.94	1.2	7.30	0.9	7.55	1.0	7.78	2.0	6.66	1.7
Accounts Payable	158.13	19.1	157.82	18.1	32.48	12.2	32.15	13.4	71.25	9.2	68.51	8.9	49.09	12.4	51.19	12.9
Misc. Payables & Accruals	12.07	1.5	10.03	1.1	4.01	1.5	4.01	1.7	16.11	2.1	16.02	2.1	4.54	1.1	3.36	0.8
Taxes Payable	15.83	1.9	23.66	2.7	2.44	0.9	3.66	1.5	10.75	1.4	10.31	1.3	9.43	2.4	8.57	2.2
Funded Debt Due Within One Year	15.05	1.8	17.10	2.0	13.82	5.2	11.79	4.9	54.39	7.0	55.81	7.2	25.18	6.3	24.90	6.3
Other Current Liabilities	73.77	8.9	62.36	7.1	13.01	4.9	12.09	5.0	40.88	5.3	38.94	5.0	16.75	4.2	14.12	3.6
Total Current Liabilities	351.83	42.6	465.74	53.4	74.58	28.1	71.63	29.9	209.35	27.1	208.57	27.0	130.55	32.9	125.19	31.6
Advances Payable	20.79	2.5	20.72	2.4	1.36	0.5	1.48	0.6	11.35	1.5	11.72	1.5	18.07	4.5	16.38	4.1
Funded Debt Due After One Year	46.72	5.7	45.93	5.3	46.79	17.6	42.48	17.7	175.94	22.8	194.79	25.2	76.48	19.2	87.17	22.0
Total Long Term Debt	67.51	8.2	66.65	7.6	48.15	18.2	43.96	18.3	187.29	24.3	206.52	26.8	94.55	23.8	103.55	26.1
Total Funded Debt	61.77	7.5	63.03	7.2	60.60	22.9	54.27	22.6	230.33	29.8	250.61	32.5	101.66	25.6	112.07	28.3
Reserves & Est Liabilities	8.56	1.0	8.39	1.0	6.27	2.4	3.62	1.5	6.99	0.9	5.88	0.8	8.97	2.3	8.94	2.3
Accum Deferred Tax Credits	13.32	1.6	10.84	1.2	6.91	2.6	6.47	2.7	39.81	5.2	46.64	6.0	12.38	3.1	13.00	3.3
Total Liabilities	441.21	53.4	551.62	63.2	135.92	51.2	125.68	52.4	443.44	57.4	467.60	60.6	246.45	62.0	250.68	63.2
Stockholder's Equity	385.12	46.6	320.71	36.8	129.30	48.8	114.07	47.6	328.81	42.6	304.20	39.4	150.91	38.0	145.81	36.8
Total Capital	452.63	54.8	387.36	44.4	177.46	66.9	158.03	65.9	516.10	66.8	510.72	66.2	245.46	61.8	249.36	62.9
Total Liabilities & Equity	826.33	100.0	872.33	100.0	265.22	100.0	239.75	100.0	772.25	100.0	771.81	100.0	397.36	100.0	396.49	100.0

Analytical Data	Household Goods		Heavy Machinery		Petroleum Products		Refrigerated Products	
	1981	1980	1981	1980	1981	1980	1981	1980
Operating Performance								
Gross Revenues to Equity	5.82	6.49	5.76	6.11	4.82	5.07	8.57	8.18
Gross Revenues to Total Capital	4.95	5.38	4.20	4.41	3.07	3.02	5.27	4.78
Gross Revenues to Net Carr Oper Prop	13.07	12.20	6.64	6.79	3.66	3.57	6.76	6.05
Gross Revenues to Carr Oper Prop (Cost)	6.84	6.76	3.34	3.42	1.75	1.81	3.53	3.41
Pre-Tax Income to Gross Revenues, %	4.11	4.00	2.78	3.49	3.12	3.86	2.60	3.45
Pre-Tax Income to Total Capital, %	20.36	21.51	11.68	15.38	9.58	11.66	13.67	16.52
After Tax Income to Gross Revenues, %	2.76	2.64	1.83	2.10	2.24	2.66	1.59	2.30
After Tax Income to Equity, %	16.04	17.11	10.52	12.86	10.81	13.51	13.64	18.82
Return on Transportation Investment, %	15.33	24.50	14.07	17.69	15.81	17.80	19.90	23.26
Expense Ratio, %	98.88	98.16	98.10	97.22	97.60	96.61	97.92	96.90
Operating Ratio, %	98.11	97.40	96.82	96.22	95.21	94.37	96.56	95.61
Average Revenue Per Carrier	20.01	18.59	11.65	10.90	13.09	12.76	12.08	11.14
Net Income Per Carrier	0.55	0.49	0.21	0.23	0.29	0.34	0.19	0.26
Liquidity								
Cash Throw Off, Dollars	79.38	70.89	33.10	31.09	124.19	131.29	64.95	71.93
Working Capital, Dollars	104.63	50.08	56.04	46.12	47.17	55.67	31.98	28.18
Current Ratio	1.30	1.11	1.75	1.64	1.23	1.27	1.24	1.23
Days Cash Oper Exp in Work Cap	17.53	9.10	29.05	25.67	12.05	14.70	9.66	9.33
Average Days Collection Period	48.50	50.88	40.63	41.96	27.72	30.89	26.46	28.80
Leverage & Debt Service								
Funded Debt to Equity	0.16	0.20	0.47	0.48	0.70	0.82	0.67	0.77
Net Debt to Equity	0.15 -	0.01 -	0.07 -	0.03 -	0.39	0.46	0.29	0.40
Funded Debt to Tangible Net Worth	0.16	0.20	0.47	0.48	0.71	0.84	0.69	0.78
Cash Throw to Funded Debt Due in One Year	527.48	414.67	239.57	263.59	228.36	235.23	257.88	288.90
Cash Throw to Total Funded Debt, %	128.50	112.47	54.61	57.29	53.92	52.39	63.89	64.18
Interest to Total Funded Debt, %	27.72	24.93	15.70	12.84	16.40	13.82	17.20	13.73
Carrier Property (Net) to Equity	0.45	0.53	0.87	0.90	1.31	1.42	1.27	1.35
Additional Ratios								
Receivables to Payables	1.72	1.04	2.31	2.28	1.53	1.72	1.65	1.63
Deprec to Debt Due in One Year	1.57	1.24	1.38	1.35	1.68	1.56	1.73	1.69
Total Tang Prop to Equity	0.52	0.62	0.91	0.95	1.32	1.43	1.31	1.37
Income Before Extra Items Etc to Equity, %	16.04	17.37	10.52	12.86	10.81	13.51	13.64	18.82
Gross Revenues to Total Tang Prop	11.26	10.45	6.31	6.46	3.65	3.56	6.53	5.97
Productivity Measures (Int-Cty Carr Only)								
Total Payroll to Revenues, %	15.12	15.06	11.49	11.19	26.23	26.40	10.76	11.04
Total Payroll (WPT) to Revenues, %	78.63	78.49	66.00	67.20	48.79	49.87	68.45	67.41
Cargo Handler Compen to Revenues, %	13.98	13.93	0.07	0.07	0.13	0.13	0.49	0.57
Linehaul Expenses to Revenues, %	70.96	71.40	81.55	81.40	81.53	81.60	82.77	82.23
Revenue Per Ton-Mile, Cents	44.22	42.05	10.87	9.89	10.34	9.84	6.57	6.27
Average Load, Tons	5.00	4.88	12.11	12.58	14.25	13.83	17.26	17.41
Total Tons, Thous	2,875.14	2,747.11	27,423.87	21,395.79	104,751.52	112,366.09	13,694.66	12,924.30
Total Miles, Thous	580,486.63	569,855.87	443,781.28	431,871.78	893,001.48	945,172.53	754,120.98	719,628.74

Dollar Amounts in Millions

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Agricultural Products 85				Motor Vehicles 33				Building Materials 112				Other Special Commodities 613				Total Special Commodities 1247			
1981		1980		1981		1980		1981		1980		1981		1980		1981		1980	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
431 69	100 0	378 00	100 0	1 200 71	100 0	1 076 03	100 0	929 30	100 0	811 13	100 0	5 854 99	100 0	5 215 33	100 0	14 280 21	100 0	12 996 04	100 0
18 09	4 2	17 02	4 5	64 51	5 4	64 69	6 0	43 83	4 7	37 76	4 7	217 45	3 7	201 77	3 9	521 42	3 7	487 85	3 8
150 39	34 8	120 03	31 8	118 79	9 9	96 46	9 0	350 28	37 7	303 08	37 4	2 211 67	37 8	1 913 06	36 7	5 493 39	38 5	4 912 24	37 8
413 31	95 7	363 71	96 2	1 167 67	97 2	1 050 44	97 6	894 13	96 2	770 42	95 0	5 603 87	95 7	4 979 51	95 5	13 756 29	96 3	12 459 91	95 9
18 38	4 3	14 28	3 8	33 03	2 8	25 59	2 4	35 17	3 8	40 71	5 0	251 11	4 3	235 82	4 5	523 92	3 7	536 13	4 1
6 33	1 5	5 48	1 4	15 89	1 3	19 95	1 9	21 15	2 3	17 66	2 2	90 54	1 5	79 82	1 5	215 81	1 5	195 59	1 5
15 34	3 6	11 58	3 1	25 97	2 2	8 94	0 8	19 85	2 1	26 58	3 3	214 49	3 7	186 73	3 6	471 56	3 3	442 22	3 4
2 90	0 7	2 92	0 8	6 67	0 6	2 12	0 2	5 13	0 6	6 45	0 8	77 89	1 3	61 27	1 2	164 42	1 2	141 71	1 1
0 36	0 1	0 51	0 1	1 11	0 1	1 20	0 1	0 26	0 0	1 04	0 1	0 74	0 0	6 29	0 1	7 79	0 1	16 62	0 1
0 14 -	0 0	0 04 -	0 0	1 29	0 1	0 12 -	0 0	0 31	0 0	0 33	0 0	6 75	0 1	3 45 -	0 1	20 95	0 1	3 78	0 0
11 93	2 8	8 11	2 1	19 49	1 6	5 50	0 5	13 98	1 5	19 43	2 4	142 10	2 4	115 67	2 2	319 01	2 2	286 79	2 2
0 04 -	0 0	1 71 -	0 5 -	2 21	0 2	2 64 -	0 2 -	3 54	0 4	11 86 -	1 5 -	9 24	0 2	56 81 -	1 1 -	31 29	0 2	133 03 -	1 0 -
11 89	2 8	6 40	1 7	21 70	1 8	2 86	0 3	17 52	1 9	7 58	0 9	151 34	2 6	58 86	1 1	350 29	2 5	153 75	1 2
14 71	9 4	11 27	7 7	24 53	5 2	35 70	7 5	30 72	8 2	31 64	9 3	220 63	10 3	191 15	9 4	446 94	8 3	404 99	7 7
4 93	3 2	3 25	2 2	39 97	8 4	21 41	4 5	14 02	3 8	15 04	4 4	110 59	5 2	124 86	6 1	284 71	5 3	369 79	7 0
33 21	21 3	31 04	21 3	63 59	13 4	76 68	16 0	62 19	16 7	58 35	17 2	485 85	22 8	452 72	22 2	1 239 63	23 0	1 213 95	23 0
5 27	3 4	4 54	3 1	12 46	2 6	10 73	2 2	13 60	3 7	11 77	3 5	69 33	3 3	60 91	3 0	168 69	3 1	149 00	2 8
4 48	2 9	7 92	5 4	12 40	2 6 -	12 10	2 5	9 55	2 6	8 85	2 6	45 83	2 1	44 70	2 2	109 20	2 0	110 44	2 1
1 02	0 7	0 82	0 6	1 60	0 3	1 68	0 4	0 82	0 2	0 66	0 2	13 59	0 6	9 23	0 5	51 83	1 0	30 04	0 6
63 62	40 8	58 85	40 3	154 55	32 7	158 29	33 1	130 90	35 1	126 32	37 3	945 82	44 4	883 56	43 3	2 301 01	42 7	2 278 20	43 1
168 48	108 0	156 87	107 4	634 07	134 0	627 91	131 4	394 00	105 8	335 85	99 1	1 890 14	88 7	1 847 35	90 5	4 908 02	91 0	4 680 41	88 6
85 53	54 9	78 92	54 0	356 55	75 4	337 32	70 6	188 34	50 6	155 69	45 9	965 16	45 3	913 60	44 8	2 509 66	46 5	2 294 89	43 4
82 95	53 2	77 95	53 4	277 52	58 7	290 58	60 8	205 66	55 2	180 16	53 2	924 98	43 4	933 74	45 7	2 398 36	44 5	2 385 52	45 1
86 77	55 6	82 12	56 2	279 34	59 0	292 58	61 2	216 64	58 2	189 58	55 9	997 55	46 8	996 50	48 8	2 529 60	46 9	2 501 60	47 3
1 04	0 7	1 42	1 0	0 55	0 1	0 73	0 2	3 11	0 8	2 99	0 9	19 83	0 9	17 35	0 8	35 86	0 7	34 17	0 6
4 50	2 9	3 64	2 5	38 74	8 2	26 28	5 5	21 79	5 9	19 99	5 9	168 53	7 9	144 02	7 1	527 96	9 8	470 63	8 9
155 93	100 0	146 03	100 0	473 18	100 0	477 88	100 0	372 44	100 0	338 88	100 0	2 131 73	100 0	2 041 43	100 0	5 394 44	100 0	5 284 60	100 0
5 04	3 2	6 18	4 2	34 67	7 3	36 26	7 6	2 87	0 8	4 38	1 3	62 76	2 9	63 53	3 1	199 52	3 7	217 17	4 1
9 49	6 1	7 12	4 9	11 01	2 3	2 42	0 5	7 74	2 1	6 71	2 0	65 17	3 1	46 94	2 3	126 57	2 3	201 12	3 8
22 09	14 2	21 46	14 7	49 58	10 5	57 57	12 0	43 15	11 6	36 20	10 7	251 06	11 8	236 13	11 6	676 84	12 5	661 02	12 5
2 22	1 4	2 05	1 4	10 52	2 2	11 28	2 4	8 10	2 2	6 65	2 0	46 35	2 2	42 61	2 1	103 91	1 9	96 01	1 8
2 87	1 8	2 90	2 0	8 81	1 9	7 71	1 6	5 49	1 5	4 54	1 3	48 38	2 3	42 70	2 1	104 00	1 9	104 04	2 0
11 61	7 4	11 20	7 7	22 11	4 7	23 71	5 0	38 12	10 2	37 91	11 2	147 62	6 9	153 00	7 5	327 89	6 1	335 42	6 3
2 76	1 8	2 63	1 8	56 97	12 0	54 73	11 5	11 70	3 1	13 01	3 8	102 13	4 8	96 67	4 7	317 98	5 9	294 55	5 6
56 08	36 0	53 54	36 7	193 68	40 9	193 69	40 5	117 17	31 5	109 41	32 3	723 46	33 9	681 58	33 4	1 856 70	34 4	1 909 34	36 1
0 92	0 6	7 66	5 2	12 73	2 7	16 50	3 5	4 91	1 3	4 34	1 3	42 75	2 0	36 42	1 8	112 89	2 1	115 23	2 2
26 97	17 3	23 05	15 8	39 61	8 4	61 05	12 8	111 15	29 8	101 76	30 0	378 33	17 7	414 87	20 3	901 99	16 7	971 11	18 4
27 90	17 9	30 72	21 0	52 35	11 1	77 55	16 2	116 06	31 2	106 11	31 3	421 08	19 8	451 29	22 1	1 014 88	18 8	1 086 34	20 6
38 58	24 7	34 25	23 5	61 72	13 0	84 76	17 7	149 27	40 1	139 67	41 2	525 94	24 7	567 87	27 8	1 229 88	22 8	1 306 53	24 7
0 82	0 5	0 56	0 4	2 01	0 4	2 14	0 4	3 23	0 9	2 94	0 9	21 50	1 0	20 81	1 0	58 35	1 1	53 28	1 0
4 11	2 6	4 40	3 0	32 91	7 0	34 85	7 3	7 97	2 1	8 70	2 6	59 13	2 8	60 71	3 0	176 54	3 3	185 60	3 5
88 90	57 0	89 21	61 1	280 94	59 4	308 23	64 5	244 44	65 6	227 15	67 0	1 225 17	57 5	1 214 38	59 5	3 106 47	57 6	3 234 56	61 2
67 02	43 0	56 81	38 9	192 24	40 6	169 66	35 5	128 00	34 4	111 73	33 0	906 56	42 5	827 05	40 5	2 287 97	42 4	2 050 04	38 8
94 92	60 9	87 53	59 9	244 58	51 7	247 21	51 7	244 06	65 5	217 84	64 3	1 327 64	62 3	1 278 33	62 6	3 302 84	61 2	3 136 38	59 3
155 93	100 0	146 03	100 0	473 18	100 0	477 88	100 0	372 44	100 0	338 88	100 0	2 131 73	100 0	2 041 43	100 0	5 394 44	100 0	5 284 60	100 0

Agricultural Products 1981	1980	Motor Vehicles 1981	1980	Building Materials 1981	1980	Other Special Commodities 1981	1980	Total Special Commodities 1981	1980
6 44	6 65	6 25	6 34	7 26	7 26	6 46	6 31	6 24	6 34
4 55	4 32	4 91	4 35	3 81	3 72	4 41	4 08	4 32	4 14
5 20	4 85	4 33	3 70	4 52	4 50	6 33	5 59	5 95	5 45
2 56	2 41	1 89	1 71	2 36	2 42	3 10	2 82	2 91	2 78
3 55	3 06	2 16	0 83	2 14	3 28	3 66	3 58	3 30	3 40
16 16	13 23	10 62	3 62	8 13	12 20	16 16	14 61	14 28	14 10
2 76	2 14	1 62	0 51	1 50	2 40	2 43	2 22	2 23	2 21
17 81	14 27	10 14	3 24	10 92	17 39	15 68	13 99	13 94	13 99
20 31	17 16	13 86	10 03	16 03	20 66	21 89	20 76	18 43	19 46
97 21	97 67	98 57	99 48	98 49	97 16	97 26	97 01	97 84	97 38
95 74	96 22	97 25	97 62	96 22	94 98	95 71	95 48	96 33	95 87
5 08	4 45	36 39	32 61	8 30	7 24	9 55	8 51	11 45	10 42
0 14	0 10	0 59	0 17	0 12	0 17	0 23	0 19	0 26	0 23
30 53	25 68	83 82	71 51	57 76	57 90	353 55	327 19	827 26	787 47
7 54	5 31	39 13 -	35 39 -	13 72	16 91	222 36	201 98	444 31	368 86
1 13	1 10	0 80	0 82	1 12	1 15	1 31	1 30	1 24	1 19
6 93	5 56	12 91 -	13 06 -	5 87	8 36	15 00	15 36	12 20	11 20
28 08	29 98	19 33	26 01	24 43	26 26	30 29	31 68	31 68	34 09
0 58	0 60	0 32	0 50	1 17	1 25	0 58	0 69	0 54	0 64
0 29	0 31	0 41	0 57	0 76	0 76	0 17	0 26	0 20	0 29
0 58	0 62	0 32	0 50	1 20	1 28	0 59	0 70	0 55	0 65
263 05	229 30	379 13	301 59	151 50	152 74	239 50	213 84	252 30	234 77
79 13	74 98	135 80	84 37	38 69	41 45	67 22	57 62	67 26	60 27
16 41	15 99	25 74	23 53	14 17	12 64	17 21	14 06	17 55	14 97
1 24	1 37	1 44	1 71	1 61	1 61	1 02	1 13	1 05	1 16
1 05	1 09	1 05	1 28	1 22	1 36	1 54	1 60	1 54	1 41
1 56	1 52	2 92	2 73	1 15	1 00	1 47	1 32	1 59	1 45
1 29	1 45	1 45	1 72	1 69	1 70	1 10	1 20	1 11	1 22
17 81	14 27	10 14	3 24	11 55	17 39	15 73	13 99	14 00	14 03
4 98	4 60	4 30	3 68	4 29	4 28	5 87	5 23	5 65	5 20
15 65	16 93	34 23	34 62	15 76	16 53	19 12	20 12	19 67	20 23
53 30	50 71	44 13	43 65	56 48	56 41	57 37	56 79	59 00	58 77
0 02	0 01	0 88	0 87	0 14	0 16	0 33	0 35	2 23	2 25
86 35	87 16	79 22	79 72	84 33	82 60	83 07	82 77	80 82	80 65
7 00	6 44	21 67	19 96	6 45	6 22	8 72	8 42	10 18	9 73
16 09	16 35	8 00	7 94	16 70	16 12	14 04	13 52	13 35	13 04
10.088 72	8.637 98	17.360 39	17.669 77	35.934 59	36.887 21	143.562 53	144.536 35	355.691 41	357.164 60
220.906 46	208.471 48	614.081 60	612.873 05	696.497 10	652.318 84	2.878.024 50	2.829.854 79	7.080.900 03	6.970.046 57

to year. With operating expenses increasing faster (by 7.5%), profits fell slightly with ordinary income after taxes down 7.2% to $13.6 million. Final net income showed a substantial fluctuation year to year due to the devaluation and accounting treatment of operating rights.

Tonnage and mileage of the heavy machinery haulers both increased year to year (in fact, aggregate tons increased over 28%) but there were extremely wide fluctuations with about half the companies showing tonnage gains and the other half declines. Forty-one (64.1%) of the 64 carriers improved revenues over 1980. Nineteen carriers (29.7%) had net losses in 1981, eleven of which also reported losses for 1980. Of the 45 profitable carriers, 35 were also profitable in 1980. Within this group there appears to be little correlation between increasing revenues, tons or miles and increased profits.

Indicative of the aggregate profit decline was the increase in the operating ratio to 96.82 from 96.22 with the return on equity dropping to 10.52 from 12.86 and return on capital falling from 15.38 to 11.68.

The heavy haulers were one of the few carrier groups to show more than a marginal increase in assets. Total assets in 1981 were 10.6% higher than in 1980, with current assets up 10.9% and carrier operating property up 9.3%. The change in carrier operating property prompted some debt financing as long-term funded debt increased 10.2% and current debt maturities grew by 17.1%. Aggregate current liabilities grew by 4.1% and stockholders' equity increased by 13.4%.

The 64 heavy machinery transporters continue to comprise one of the most liquid of all carrier groups. Their 1981 current ratio of 1.75 is substantially higher than the specialized carrier composite of 1.24. Dollars of working capital increased 21.5% in 1981 providing for coverage of 29 days cash operating expenses, again the highest of the carrier groups. Receivables collections, however, while improving one day to 40.63, is still significantly slower than the overall Group D composite of 32 days.

While cash flow improved 6.5% in dollar amount, the 11.6% overall increase in total funded debt of these carriers resulted in a minor reduction in coverage. The ratio of funded debt to equity remained stable at 0.47 in 1981 compared to 0.48 in 1980.

In summary, earnings held up fairly well considering the economic environment, leverage improved, and liquidity remained superior to the industry.

Petroleum Products

In contrast to the household goods, heavy machinery and refrigerated products carrier groups, petroleum haulers rely significantly less on owner-operator transportation, spending 22.5% of revenues on purchased transportation. The expensive trailers and their attendant cleaning and servicing needs, the nature of the commodity transported and the limited shipper base served by these firms account for the greater proportion of company-owned equipment.

Of the 121 petroleum carriers in this year's *Analysis*, 75 (62%) had revenue gains in 1981, the lowest proportion reporting gains among the specialized carrier groups, resulting in aggregate revenue of $1.58 billion—2.6% above 1980 and the lowest revenue change of specialized carriers. With expenses up 3.5%, profits were reduced. Nonetheless, the petroleum carriers' operating ratio of 95.21 was the best among specialized firms. (Perhaps this group has had more experience in controlling costs, since in 1980 they had to endure 15% drops in tonnage and mileage, and essentially flat revenue.) Both income before tax and ordinary income after taxes fell, the former by 17.0% and the latter by 13.5% from 1980. Thirty (24.8%) of the 121 carriers ended 1981 in a loss posture (9 for at least two years in a row), while of the 91 petroleum carriers earning profits, 79 were also profitable in 1980. The group's profit margin fell to 2.24 from 2.66 in 1980; return on equity dropped from 13.51 to 10.81 and return on transportation investment fell to 15.81 from 17.80.

The liquidity of the petroleum haulers marginally deteriorated in 1981. The current ratio declined to 1.23 from 1.27 reflecting a slight increase in current liabilities coupled with a decrease in current assets. With working capital down and operating expenses up, there was a decline in coverage of cash operating expenses, from 14.7 days to 12 days. Cash flow dollars were also down in 1981 by 5.4% but funded debt was also falling and, as a result, coverage remained essentially unchanged. Net carrier operating property stayed at the same level as in 1980 due to a 12.7% increase in the depreciation reserve offsetting a 6.2% gain in carrier operating property at cost. With an 8.1% increase in equity and the reduction of 8.1% in total funded debt, these carriers improved their debt to equity ratio significantly—from 0.82 in 1980 to 0.70 in 1981.

Overall, the carriers in this group managed to control costs well in the face of very weak revenue growth. Although higher than the composite, leverage was reduced.

Refrigerated Products

The heaviest users of purchased transportation are the refrigerated product haulers who expend 56.3% of revenues for rented units. With tons and miles showing moderate year to year gains, the revenues of these 107 carriers grew 8.4% to $1.29 billion, with 83 (77.6%) of the individual carriers reporting revenue gains. In line with other carrier groups, though, the increase in operating expense of 9.5% more than offset the revenue gain and precipitated a decline in profits, with ordinary income after taxes dropping 25%. Aggregate profit measures are the operating ratio of 96.56 (up more than 1 point from 1980), a profit margin of 1.59% (down from 2.30%) and a return on equity of 13.64% (down more than 5 points from 1980's 18.82%). Ending 1981 with a loss were 30 of the 107 carriers (and for 13 carriers losses in 1980 also), while of the 77 profitable firms in 1981, 69 were also profitable in 1980.

While balance sheet totals were virtually unchanged year to year, there were swings within various accounts. Current assets increased 6% and current liabilities by 4.3%, the current ratio thus improved minimally from 1.23 to 1.24. Net carrier operating property declined by 2.9% from 1980. There was a 4.9% increase in carrier operating property at cost but this was more than offset by a 14.9% increase in the depreciation reserve. Total funded debt declined 9.3% reflecting a 12.3% decline in noncurrent funded debt and a 1.2% increase in current maturities. Of note is that of the $23 million of net income after taxes, only $5.1 million found its way to net worth, thus equity increased only 3.5% year to year.

Liquidity of the refrigerated product haulers was largely unchanged from 1980. Working capital dollars did increase (by 13.5%) but coverage of cash

operating expenses by working capital remained in the 9 day range. Cash flow actually declined—lowering the coverage of current maturities to 258% from 289%. Cash flow coverage of noncurrent funded debt improved as a result of less debt on the balance sheet. This change also resulted in an improvement in the ratio of funded debt to equity—down from 0.77 in 1980 to 0.67 in 1981.

Agricultural Products

With 62 of 85 carriers of agricultural products reporting revenue gains, the group's aggregate revenues of $432 million were 14.2% higher than in 1980. This healthy level of growth was sufficient to cover a 13.6% increase in expenses and still improve profitability in 1981. Their operating ratio declined from 96.22 to 95.74, among the best of the specialized groups. With income before taxes increasing 32.5% and ordinary income after taxes by 47.2%, these carriers, among the specialized groups, achieved the best profit margin (2.76%) and the best return on equity (17.81%). Only 15.3% of these agricultural commodity haulers (13 of 85) had 1981 losses and 62 of the 72 profitable carriers were also profitable in 1980.

With the growth in current assets slightly outpacing the growth in current liabilities (8.1% versus 4.7%), the group's current ratio improved marginally to 1.13 from 1.10. Working capital of $7.5 million reflected a 42% increase, but still affords only slight coverage of cash expenses (6.9 days in 1981 compared to 5.5 days in 1980). Cash flow improved to $30.5 million providing sufficient coverage of current debt maturities of $11.6 million and long-term funded debt of $38.6 million.

With the agricultural group adding only approximately $12 million in new equipment during the year, the overall fleet still remains half depreciated. This curtailed level of equipment purchases resulted in funded debt levels increasing by only $4 million or 12.6%. Long-term funded debt increased 17% and current maturities by 3.6%. With equity increasing 18%, the debt to equity ratio declined to 0.58 from 0.60 in 1980.

Motor Vehicles

The 33 summarized motor vehicle transporters generated $1.2 billion in revenues in 1981 and based on average revenue per carrier, are the largest companies among the specialized firms. With 26 of the 33 reporting year-to-year revenue gains (78.7%—the best record of gains among specialized carriers) the group's aggregate revenues grew by 11.6% from 1980. Moreover, with expenses increasing only 11.2%, the group's profitability improved—carrier operating income increased 29.1% to $33.03 million—an encouraging sign since their 1980 results were understandably poor. The group's operating ratio declined to 97.25 from 97.62, return on equity almost tripled (to 10.14% from 3.24%), as did return on capital. Return on transportation investment increased almost 4 points (from 10.03% to 13.86%). Only 6 (18.2%) of the 33 motor vehicle transporters ended 1981 with a loss. Except for household goods carriers, this proportion of carriers with losses is the lowest among specialized carrier groups.

Balance sheet total footings remained virtually unchanged from 1980, but, within the accounts there are some positive and some negative moves. On the positive side, debt levels are being substantially reduced. A 6.8% decline in current maturities and a 35.1% reduction in funded debt due after one year, reduced total funded debt by 27.2%. While debt was lowered, equity was increased by 13.3%. The group's debt to equity ratio thus declined to 0.32 from 0.50 in 1980. On the other hand, however, there was virtually no addition to carrier operating property. As measured by the depreciation reserve, the fleet of these carriers, which was the "oldest" among specialized groups in 1980, is now 56% depreciated.

Liquidity also is a problem area for motor vehicle transporters. Their 1980 current ratio was 0.82. In 1981 there was a decrease in current assets (2.4%) while current liabilities remained unchanged—thus further reducing the current ratio to 0.80.

Cash flow, on the other hand, increased by 17.2% in 1981. With total funded debt decreasing by 27.2%, the result was a substantially greater ability to service debt. Cash flow coverage of current maturities on debt is almost 4 times and on total debt 1.36 times—the best debt coverage of the specialized groups.

Building Materials

Adversely affected by declining residential construction, but apparently aided by strong office building construction, the 112 building material haulers surprisingly reported aggregate revenues of $929 million, up significantly by 14.6%. However, operating expenses more than kept pace by increasing 16.1%, pushing the operating ratio from 94.98 in 1980 to 96.22 in 1981. Income before tax dropped 25% and ordinary income after taxes fell 28.1% to $13.98 million. While 77.7% of the carriers reported revenue gains, and 25% operated at a loss, as with the heavy machinery haulers, there appears to be no correlation between an increase in revenues, tons or miles and profitability.

In line with lower earnings, return on equity fell substantially, from 17.39% to 10.92%, a 37.2% decline and the most precipitous decline in ROE among the specialized groups. Similarly, return on capital fell by one-third (from 12.2% to 8.1%) and the profit margin of 1.5% (down from 2.4%) is the lowest of the specialized carrier groups.

Liquidity problems are also evident among the building material carriers. While the current ratio decreased only minimally from 1.15 to 1.12, working capital declined 18.8% from 1980 and affords less than 6 days coverage in 1980.

Cash flow was virtually unchanged year to year but the building material haulers experienced an increase in both current debt (0.6%) and long-term funded debt (up 13.0%). Consequently, cash flow coverage of debt has declined to precipitously low levels, 1.5 times current debt and only 39% of total funded debt. These debt service ratios are considerably under the composite and are the lowest of all specialized carriers. With these carriers increasing equity by 14.6% the debt to equity ratio improved slightly but the levels—1.25 in 1980 falling to 1.17 in 1981—keep these carriers as the most highly leveraged of all specialized carriers.

Other Specialized Commodities

This catchall category of specialized carriers reflects results from 613 firms (49.2% of all specialized firms). Revenues for these carriers totaled $5.85 billion—a healthy 12.3% increase from 1980. Three-quarters of the individual firms had revenue gains over 1980.

With expenses increasing just slightly faster than revenues, these firms experienced a minor operating ratio deterioration from 95.48 to 95.71. The group showed solid earnings improvement, however, due to approximately $54 million of non-carrier earnings which led to improvements of 14.9% in income before taxes and 22.8% in ordinary income after taxes to $142.1 million. These improvements resulted in an increased ROE (from 13.99% to 15.68%), return on capital (14.61% to 16.16%), profit margin (from 2.22% to 2.43%), and return on transportation investment (21.89% from 20.76%). The 1981 return on investment was the best among specialized carriers. Among these firms, though, 26.3% ended 1981 in a loss posture.

With current assets increasing just slightly faster than current liabilities, the current ratio increased nominally—to 1.31 from 1.30. Working capital was up slightly and can cover 15 days cash operating expenses. Cash flow is also up but the debt service ability is improved more significantly due to a net decline of 7.4% in funded debt in 1981. A 9.6% addition to stockholders' equity, coupled with the debt decline, produces a favorable change in the debt to equity ratio—from 0.69 to 0.58. However, with their fleet getting older—51.1% depreciated in 1981—impending replacement needs may well bring a reversal in a number of these statistics.

CARRIER GROUP E

Twenty publicly-held carriers of general freight were included in Carrier Group E in 1981, of which the stocks of seven were listed on the New York Stock Exchange, one on the American Stock Exchange and the rest traded over the counter.

This group has no immunity from the problems that have plagued the industry in general. Whether caused by poor economic conditions or regulatory changes, a number of carriers are experiencing financial difficulties. In December 1981, Cooper Jarrett filed a reorganization petition under Chapter 11 of the Federal Bankruptcy Act and in March 1982 Mid American Lines also filed under Chapter 11. Since financial statements for 1981 were unavailable on both companies, they were excluded from Group E.

Other carriers who are experiencing problems but are part of Group E include Eazor Express, T.I.M.E.-DC and TeleCom Corporation. In February 1982, Eazor announced the closing of its general commodities division and two months later, T.I.M.E.-DC shut down its general commodities operations. Further, TeleCom's trucking unit, Spector Red Ball filed under Chapter 11 in April 1982.

One company—Viking Freight System—was added to Carrier Group E after the firm had the first public offering of its stock in December 1981.

Data for Group E are compiled from consolidated annual reports to stockholders and thus differ somewhat from the ICC data shown for the other carrier groups. Non-carrier activities are included which this year relates primarily to just one company, Arkansas Best, which is also engaged in the manufacture of furniture. Two other companies—Consolidated Freightways and McLean Trucking—which owned large non-carrier subsidiaries, sold them recently. The net gains from these sales are not included in the income statement of the composite since they are shown separately in the companies' annual reports to stockholders as "income from discontinued operations". The balance sheet of the composite in 1981, however, reflects the substantial cash payment Consolidated Freightways received ($204 million cash and two installment notes totaling $80 million) from the sale of its manufacturing subsidiaries. Furthermore, the 1980 balance sheet was revised to reflect the assets and liabilities of discontinued operations. Thus, year-to-year comparisons of the balance sheet and its composition as well as any derivative ratios should be made cautiously.

As with the other carrier groups, the 20 companies are identical in 1981 and 1980 to ensure comparability.

Financial Results

Revenues for the 20 publicly held carriers increased 7.4% in 1981 to $6.86 billion. This moderate increase in revenue was more than matched by an 8.3% increase in expenses, resulting in a 95.63 operating ratio. While Group E's operating ratio compared favorably with a 97.30 ratio for the general freight carrier composite, it nevertheless represented an 87 basis point increase over 1980 and a 340 basis point surge from 1977. Tonnage for the group was off 5.0% in 1981, significantly more than the 1.8% tonnage drop by the composite. Considering the precarious health of several of the publicly-held carriers—the tonnage decline may be a problem of "aggregates".

Due to the wide disparity of performances between carriers, drawing meaningful conclusions from the composite "E" data is difficult. Individually, 10 of the 20 carriers reported losses in 1981, with 7 of them in the red for the second year in a row. Only six companies posted increased earnings in 1981, with the remaining four showing year-to-year declines. The composite data does, however, provide a form of yardstick.

Although net carrier operating income was down 10.4% to $300 million, increased non-carrier income of approximately $74 million (probably interest income) helped to improve bottom line performance. Pretax income of $287 million was only 4.0% lower than the previous year. Higher taxes reduced net income to $165.3 million, 6.4% lower than 1980. Although at 2.4%, the net income margin on revenues was significantly better than the results of the general freight composite (1.3%), the margin was at a 5-year low.

Return on equity for the group slipped to 9.8% in 1981 and return on transportation investment was 12.8%. Despite the downward trend exhibited in the past five years, this group still outperformed the general freight carrier composite in both these measures.

The depreciation reserve on carrier operating property increased from 42% in 1980 to 44.9% in 1981, reflecting the fact that there was little fleet replacement during the year. Nevertheless, this group's fleet is still marginally newer than the composite.

Liquidity for Group E continued to be satisfactory although cash flow was down 11.9% in 1981 due to lower earnings and payments due on deferred taxes. Working capital was up substantially, due to the increased cash position of one of the carriers as a result of the sale of its manufacturing subsidiaries. However, excluding this company from the group along with another large carrier with a renowned strong cash position, left the publicly-held carriers with a decline in liquidity in 1981. Working capital for the 18 companies was off 40.6% and the current ratio dropped to 1.14 to 1 as compared with 1.25 to 1 in 1980. Days cash operating expenses in working capital were off 6 days in 1981 to 7.08 days for the 18 firms, compared to almost 32 days for the group of 20.

Group E's funded debt to equity ratio improved in 1981 to 39% although the degree of leverage in the individual companies varied sharply. One of the two largest carriers had no debt at all and by eliminating that company from the group, the funded debt to equity ratio for the 19 firms in 1981 rises to 50.5%, moderately above the general freight carrier composite ratio of 41%. Still, the publicly-held carriers did reduce their debt level by 12.1% in 1981.

In summary, like the other carrier groups, the publicly-held carriers of general freight experienced a modest decline in profitability in 1981, although in the aggregate, they remain in good financial condition.

Publicly Held General Freight Carriers

Arkansas Best Corporation
Branch Industries, Inc.
Briggs Transportation Company
Carolina Freight Carriers Corporation
Consolidated Freightways, Inc.
Eazor Express, Inc.
Interstate Motor Freight System
McLean Trucking Company
Murphy Motor Freight Lines, Inc.
New Penn Motor Express, Inc.
Overnite Transportation Company
Penn Yan Express, Inc.
Preston Trucking Company, Inc.
Roadway Express, Inc.
T.I.M.E.-DC, Inc.
TeleCom Corporation
Transcon, Inc.
U.S. Truck Lines, Inc. of Delaware
Viking Freight System, Inc.
Yellow Freight System, Inc.

Carrier Group E

Dollar Amount in Millions

Year	1981			1980			1979			1978			1977		
Number of Carriers	20			20			21			23			25		
Income Statement	Total $	%	Avg $	Total $	%	Avg $	Total $	%	Avg $	Total $	%	Avg $	Total $	%	Avg $
Income & Expense Data															
Gross Revenues	6,858.3	100.0	342.9	6,387.6	100.0	319.4	7,021.0	100.0	334.3	6,324.3	100.0	275.0	5,406.2	100.0	216.3
Depreciation	287.4	4.2	14.4	286.0	4.5	14.3	272.9	3.9	13.0	243.8	3.9	10.6	206.9	3.8	8.3
Purchased Transportation	298.8	4.4	14.9	238.7	3.7	11.9	247.3	3.5	11.8	204.1	3.2	8.9	168.3	3.1	6.7
Total Operating Expenses	6,558.2	95.6	327.9	6,052.9	94.8	302.6	6,662.4	94.9	317.3	5,860.6	92.7	254.8	4,985.2	92.2	199.4
Net Carrier Operating Income	300.1	4.4	15.0	334.9	5.2	16.8	358.6	5.1	17.1	463.7	7.3	20.2	423.0	7.8	16.9
Interest Expense	87.6	1.3	4.4	78.8	1.2	3.9	64.8	0.9	3.1	48.8	0.8	2.1	35.5	0.7	1.4
Net Income Before Taxes	287.1	4.2	14.4	299.2	4.7	15.0	330.4	4.7	15.7	439.0	6.9	19.1	409.1	7.6	16.4
Income Taxes—Current	129.4	1.9	6.5	79.8	1.2	4.0	82.4	1.2	3.9	145.1	2.3	6.3	144.8	2.7	5.8
Deferred Income Taxes	7.6 -	0.1 -	0.4	42.7	0.7	2.1	47.0	0.7	2.2	49.7	0.8	2.2	41.2	0.8	1.6
Equity in Earnings of Affil															
Net Income After Taxes	165.3[1]	2.4	8.3	176.6	2.8	8.8	201.0	2.9	9.6	244.2	3.9	10.6	223.5	4.1	8.9
Balance Sheet															
Assets															
Cash	655.2	18.6	32.8	422.7	12.2	21.1	315.8	9.0	15.0	358.7	11.1	15.6	308.5	11.4	12.3
Receivables from Affiliates															
Notes & Accounts Receivable	600.1	17.1	30.0	525.7	15.1	26.3	528.0	15.0	25.2	480.0	14.9	20.9	404.8	15.0	16.2
Prepaid Expenses	130.3	3.7	6.5	129.8	3.7	6.5	133.2	3.8	6.3	128.0	4.0	5.6	104.5	3.9	4.2
Materials & Supplies	113.8	3.2	5.7	127.4	3.7	6.4	236.1	6.7	11.2	179.0	5.6	7.8	137.5	5.1	5.5
Other Current Assets	34.1	1.0	1.7	42.7	1.2	2.1	55.5	1.6	2.6	32.0	1.0	1.4	18.3	0.7	0.7
Total Current Assets	1,533.5	43.6	76.7	1,248.3	36.0	62.4	1,268.6	36.0	60.4	1,177.6	36.6	51.2	973.6	36.1	38.9
Carrier Operating Property	3,270.3	93.1	163.5	3,098.7	89.3	154.9	3,104.7	88.1	147.8	2,820.3	87.6	122.6	2,442.3	90.5	97.7
Reserve for Depreciation	1,469.0	41.8	73.4	1,301.3	37.5	65.0	1,205.3	34.2	57.4	1,092.3	33.9	47.5	1,000.2	37.1	40.0
Carrier Operating Property Net	1,801.3	51.3	90.1	1,797.4	51.8	89.9	1,899.4	53.9	90.4	1,728.0	53.7	75.1	1,442.1	53.4	57.7
Total Tangible Property	1,801.7	51.3	90.1	1,797.5	51.8	89.9	1,899.4	53.9	90.4	1,731.8	53.8	75.3	1,455.2	53.9	58.2
Intangibles	6.9	0.2	0.3	17.9	0.5	0.9	224.3	6.4	10.7	217.0	6.7	9.5	188.7	7.0	7.5
Other Assets	171.9	4.9	8.6	406.9	11.7	20.3	133.7	3.8	6.4	93.1	2.9	4.0	80.4	3.0	3.2
Total Assets	3,514.0	100.0	175.7	3,470.5	100.0	173.5	3,526.0	100.0	167.9	3,219.8	100.0	140.0	2,697.9	100.0	107.9
Liabilities & Equity															
Payables to Affiliates															
Notes Payable	2.1	0.1	0.1	4.1	0.1	0.2				6.0	0.2	0.3	3.3	0.1	0.1
Accounts Payable	384.5	10.9	19.2	363.9	10.5	18.2	456.8	13.0	21.8	423.0	13.1	18.4	351.2	13.0	14.0
Misc. Payables & Accruals	287.6	8.2	14.4	266.4	7.7	13.3	251.8	7.1	12.0	261.3	8.1	11.4	191.1	7.1	7.6
Taxes Payable	52.6	1.5	2.6	79.4	2.3	4.0	50.[illegible]	1.4	2.4	72.5	2.3	3.1	39.3	1.5	1.6
Funded Debt Due Within One Year	87.8	2.5	4.4	67.0	1.9	3.3	66.[illegible]	1.9	3.1	54.8	1.7	2.4	40.9	1.5	1.6
Other Current Liabilities	171.0	4.9	8.6	163.4	4.7	8.2	151.3	4.3	7.2	120.1	3.7	5.2	119.1	4.4	4.8
Total Current Liabilities	985.6	28.1	49.3	944.2	27.2	47.2	976.2	27.7	46.5	937.8	29.1	40.8	744.9	27.6	29.8
Advances Payable															
Funded Debt Due After One Year	563.4	16.0	28.2	644.0	18.6	32.2	697.6	19.8	33.2	563.2	17.5	24.5	414.5	15.4	16.6
Total Long Term Debt	563.4	16.0	28.2	644.0	18.6	32.2	697.6	19.8	33.2	563.2	17.5	24.5	414.5	15.4	16.6
Total Funded Debt	651.2	18.5	32.6	711.0	20.5	35.5	763.2	21.6	36.3	618.0	19.2	26.9	455.5	16.9	18.2
Reserves & Evt Liabilities	101.1	2.9	5.0	187.4	5.4	9.4	78.1	2.2	3.7	55.8	1.7	2.4	39.3	1.5	1.6
Accum Deferred Tax Credits	172.7	4.9	8.6	245.8	7.1	12.3	217.3	6.2	10.3	266.2	8.2	8.7	170.6	6.3	6.8
Total Liabilities	1,822.8	51.9	91.1	2,021.4	58.3	101.1	1,966.9	55.8	93.8	1,757.0	54.6	76.4	1,369.3	50.8	54.8
Stockholder's Equity	1,691.2	48.1	84.6	1,449.1	41.7	72.4	1,557.1	44.2	74.2	1,462.8	45.4	63.6	1,328.7	49.2	53.1
Total Capital	2,254.6	64.2	112.7	2,093.1	60.3	104.6	2,254.7	63.9	107.4	2,026.0	64.7	88.1	1,743.2	64.6	69.7
Total Liabilities & Equity	3,514.0	100.0	175.7	3,470.5	100.0	173.5	3,526.0	100.0	167.9	3,219.8	100.0	140.0	2,697.9	100.0	107.9
Analytical Data	1981			1980			1979			1978			1977		
Operating Performance															
Gross Revenues to Equity	4.06			4.41			4.51			4.32			4.07		
Gross Revenues to Total Capital	3.04			3.05			3.11			3.12			3.10		
Gross Revenues to Net Carr Oper Prop	3.81			3.55			3.70			3.66			3.75		
Gross Revenues to Carr Oper Prop (Cost)	2.10			2.06			2.26			2.24			2.21		
Pre-Tax Income to Gross Revenues, %	4.19			4.68			4.71			6.94			7.56		
Pre-Tax Income to Total Capital, %	12.73			14.29			14.65			21.67			23.47		
After Tax Income to Gross Revenues, %	2.41			2.76			2.86			3.86			4.13		
After Tax Income to Equity, %	9.77			12.19			12.91			16.69			16.82		
Return on Transportation Investment, %	12.77			15.94			16.36			23.56			25.32		
Expense Ratio, %	94.35			93.52			95.82			93.44			92.84		
Operating Ratio, %	95.63			94.76			94.89			92.67			92.18		
Liquidity															
Cash Throw Off, Dollars	445.1			505.3			520.9			537.7			471.6		
Working Capital, Dollars	547.9			304.1			292.4			239.8			228.7		
Current Ratio	1.56			1.32			1.30			1.26			1.31		
Days Cash Oper Exp in Work Cap	31.89			19.25			16.70			15.56			17.47		
Average Days Collection Period	31.94			30.04			27.45			27.70			27.32		
Leverage & Debt Service															
Funded Debt to Equity	0.39			0.49			0.48			0.42			0.34		
Net Debt to Equity	0.01			0.23			0.26			0.22			0.14		
Funded Debt to Tangible Net Worth	0.39			0.50			0.57			0.50			0.40		
Cash Throw to Funded Debt Due in One Year, %	506.95			754.18			794.05			981.20			1153.06		
Cash Throw to Total Funded Debt, %	68.35			71.07			68.25			87.01			103.56		
Interest to Total Funded Debt, %	13.45			11.08			8.49			7.90			7.80		
Carrier Property (Net) to Equity	1.07			1.24			1.22			1.18			1.09		
Additional Ratios															
Receivables to Payables	1.55			1.43			1.19			1.12			1.14		
Deprec to Debt Due in One Year	3.27			4.27			4.16			4.45			5.06		
Total Tang Prop to Equity	1.07			1.24			1.22			1.18			1.10		
Pre-Tax Income to Equity, %	16.98			20.65			21.22			30.01			30.79		
Gross Revenues to Total Tang Prop	3.81			3.55			3.70			3.65			3.72		

[1]Excludes extraordinary items such as charges of $205.4 million for write-off of operating authorities in 1980 and net tax credits of $79.4 million in 1981

Note: Numbers may not add due to rounding

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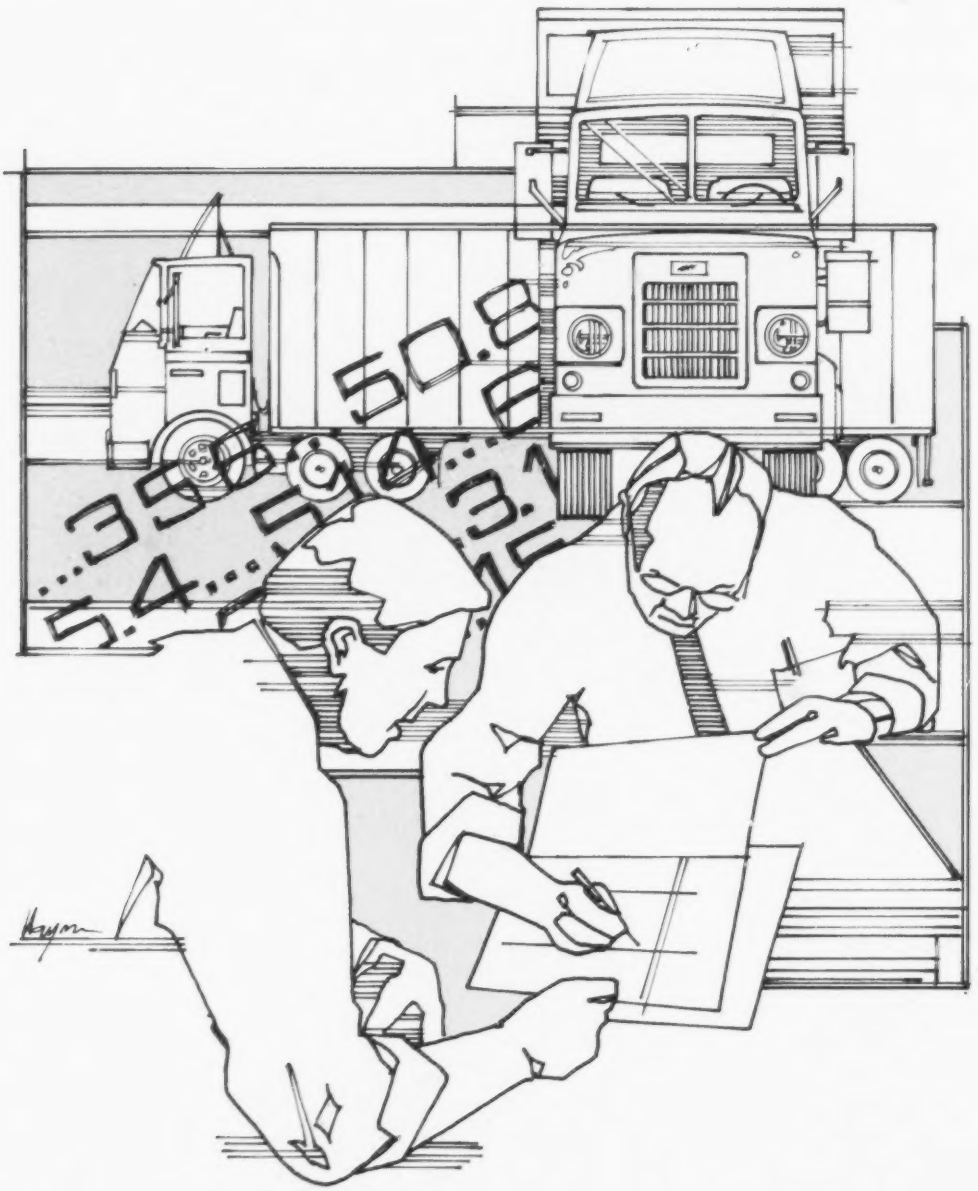
SECURITY ANALYST APPRAISAL FOR THE 1982 FINANCIAL ANALYSIS OF THE MOTOR CARRIER INDUSTRY



STRUCTURAL CHANGES IN TRUCKING AND THE ECONOMY by George Morris

The combination of substantial regulatory changes and two economic recessions since 1979 has dramatically transformed the trucking industry. Major structural changes are taking place as deregulation opened the doors to entry and fostered rate discounting by allowing more flexible pricing. As a result of the poor economic conditions, high interest rates, a proliferation of new trucking operations and price discounting, there has been a record number of motor carrier failures. The A.T.A. reports that nearly 200 carriers have closed their doors during the past two years and about 50 more are experiencing financial difficulties. Some $2 billion in revenue and over 40,000 employees are affected by those defunct and troubled carriers.

Truck tonnage for the general commodities common carrier industry has tumbled more than 35% since 1978. A report dated October 1, 1982 by the Regular Common Carrier Conference of the A.T.A. (RCCC) carries the headline, "Truck Tonnage Hits 17-Year Low in Second Quarter of 1982; Net Income Drops 58%." Included in this survey were 184 trucking companies with combined second-quarter revenue of $3.23 billion, or about one-third of all regulated carriers' revenue.

It is impossible to untangle the effects of deregulation from the overwhelming economic weakness that has dominated the recent two-year period. Other sectors of the economy are also reporting shocking news. As has been widely reported, auto production dropped to a 25-year low early in 1982, and major basic industries such as steel, machinery and rubber are closing plants permanently. Bankruptcies in 1982 have reached levels not experienced in this country since the Great Depression.

Contributing to this U.S. economic deterioration over the past three years was double-digit inflation, which pushed wage rates to non-competitive levels in the world economy (see Table I). In addition, many firms are unable to replace outmoded plants and equipment at today's prices because of high real interest rates and the inadequacy of reserves set up, based on historical costs going back 15-20 years, to match replacement costs. The reindustrialization of the U.S. economy will be slow, which portends an equally slow economic recovery from the depths of the 1981-82 recession.

Chart I compares the A.T.A. Truck Tonnage Index with the Federal Reserve Board's Index of Industrial Production and Consumer Durables Index. A good degree of correlation between the truck tonnage index and two FRB indexes can be observed. However, the truck tonnage index more closely parallels the direction and degree of change exhibited by the Consumer Durables Index which includes automotive products and home goods (i.e., appliances, T.V., carpeting, furniture, and other miscellaneous consumer home goods). There is a 1-2 month difference in timing of the index moves, which is generally thought to reflect inventory movements since trucks respond more quickly than manufacturers to demand shifts. For 1982, both the truck tonnage indicator and the consumer durables indicator have moved up in successive month-to-month comparisons from the troughs they reached in December and January, respectively. However, both are still well below their mid-1981 peaks.

TABLE I

Economic Indicators
Annual % Change

	Gross Nat'l Product Constant $	FRB Industrial Production Total Index	FRB Industrial Production Consumer Durables	Consumer Price Index Annual Average
1975	-1.1%	-8.9%	-13.0%	+9.1%
1976	+5.4%	+10.8%	+11.9%	+5.8%
1977	+5.5%	+5.9%	+6.3%	+6.5%
1978	+4.8%	+5.6%	+7.5%	+7.7%
1979	+3.2%	+4.3%	+4.8%	+11.3%
1980	-0.2%	-3.6%	-6.6%	+13.5%
1981	+1.9%	-2.7%	-2.8%	+10.4%
1982	-0.8%*	-3.8%	-5.1%**	+5.1%**

*2nd Quarter annual rate - 1982
**Through August 1982

The broader index of industrial production is down 10.3% (during August) from the July 1981 beginning of this recession. The August decline was the 11th monthly decline during this period. Until real interest rates (nominal interest rates minus the average rate of inflation) decline to a level of about 3% to 4%, we doubt that either the consumer or the industrial sector will begin to borrow to finance major purchases or expand businesses. Capacity utilization is below 70% in manufacturing industries, and unemployment is at a 40-year high of 10%. It will take time to move these indicators back to more normal levels.

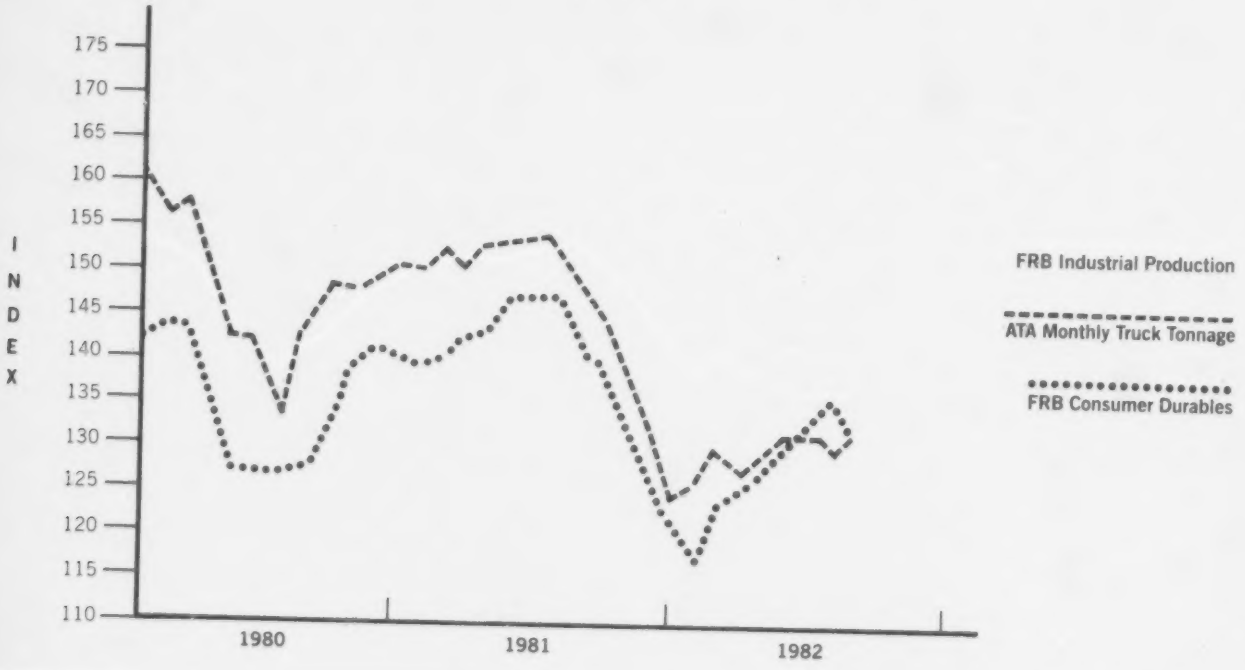
Preliminary data show that real G.N.P. grew at an annual rate of 1.5% (revised figures show GNP up only 0.8%) in the third quarter of 1982 following a 2.1% increase in the second quarter. However, we hesitate to call this a definite sign that the recession is over since two important ingredients in the August G.N.P. figures do not provide the basis for continued steady growth:

(1) rising auto inventories are counted as economic growth, but actually reflect continuing sluggish sales; and

(2) increased purchases of services rather than goods helped to move G.N.P. (i.e., sharply rising brokerage commissions from the stock market explosion in August, 1982) but are not a dependable source of steady future growth.

Once a firm base for growth in the economy develops, we believe real G.N.P. is likely to grow at no more than an annual rate of 2.5% to 3% in 1983 and 1984. This less than ebullient forecast is largely related to the severe cutbacks in capital appropriations, which are not likely to show any meaningful recovery for at least another year.

CHART I



Stock Market Performance

In spite of the continuing dismal economic news, the stock market has been roaring upward at a record pace on record volume since Friday, August 13th, the day after the Dow Jones Industrial Average reached its low for the year of 776.92. On August 17th, the Dow Jones advanced 38 points, a record advance for any one day. And on August 18th, the volume on the New York Stock Exchange totalled over 132 million shares, also a record for any day. Much of the rush to invest in equities has been due to declining interest rates and the prediction by leading money market analysts that further declines will occur in the months ahead. Table II shows several key interest rates at September 30, 1982 compared to levels existing one year and one month earlier. Note that short-term rates have declined substantially during the past year: three-month Treasury bills at 7.801% are nearly half the level last year, while longer-term corporate bonds at 12.67% are down about one quarter the year-ago level. Investors have begun to move funds which had been "parked" in high-yielding money market instruments into stocks, believing that equities will provide higher potential returns as the economy begins its recovery.

Historically, the stock market

has been an excellent leading economic indicator. Chart II shows that the S&P 400 Industrials started to decline several months before each of the past five recessions (except 1980 when the market was slow to react). A sharp upward move in the S&P 400, several months before the end of each of these recessions is also readily apparent. It is likely that the August and September stock market recovery will look very similar in retrospect to these past periods as a forerunner of economic growth.

Using the S&P Truck Stock Index in both Chart II & III, we can observe very similar market peaks and troughs for trucking stocks as for the broader market index. Stocks included in the S&P Truckers Index are: Consolidated Freightways, McLean Trucking, Overnite Transportation, Roadway Services, and Yellow Freight System. Subsequent to September 1982, McLean Trucking will be excluded since it was acquired by a privately-owned company, Meridian Express of Dallas, Texas and its shares are no longer traded. Overnite Transportation was added to the index in June, 1982.

The peak in the trucking stock index was April 1976 when the average for the month stood at 132.3. During the four years following this peak, the trucking industry was plagued by rising fuel, and labor costs and general inflationary cost increases and the carrier stock performance suffered accordingly. In addition, much of the momentum for deregulation of the trucking industry took place during these past years. Prospects of deregulation created uncertainty to which the stock market is averse. Almost exactly four years after the peak (April 1980), the trucking stock index bottomed at 63.61, nearly a 50% drop. The bottom occurred during the 1980 recession about two months before the Motor Carrier Act of 1980 was enacted.

TABLE II

Key Interest Rates Month-End

	1982 (September)	1982 (August)	1981 (September)
Prime Rate	13.00%	13.50%	20.08%
Discount Rate	10.0	10.0	14.0
Federal Funds	10.96	10.63	15.33
Commercial Paper (3 month)	10.125	10.50	15.32
3-month T-Bills	7.801	8.925	14.951
Moody's "AAA" Corp.	12.67	13.27	16.18

CHART II

Market Action

STOCK PRICE INDEXES
MONTHLY AVERAGES
1955 = 10
RATIO SCALE

Shaded areas represent periods of business recessions

Note: Reproduced with permission of *S&P Analyst's Handbook—Official Series—1982. 1982—July through August by PBT*

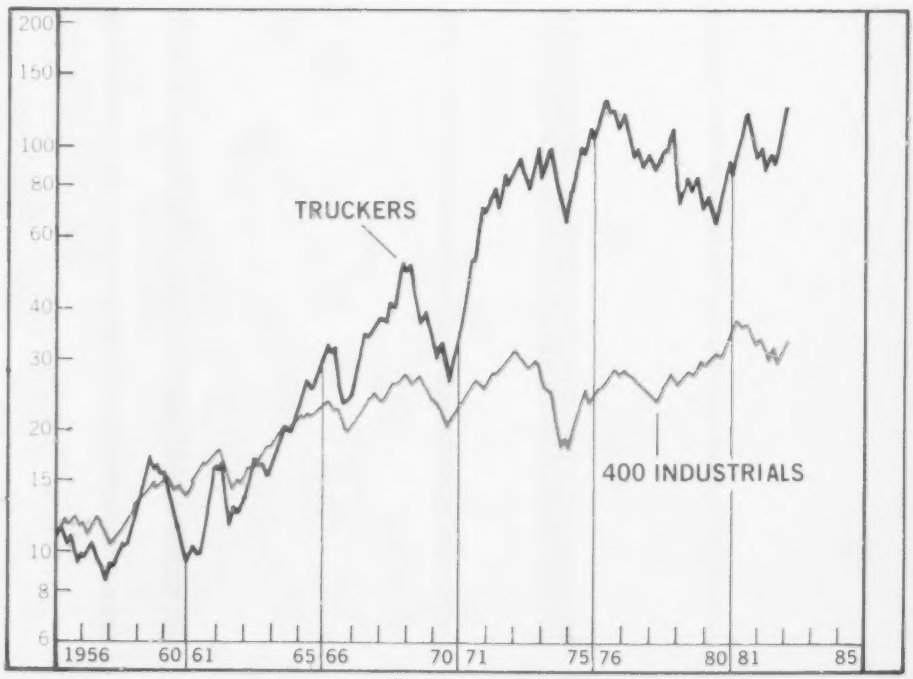


CHART III

Stock Price Indexes
Monthly Averages

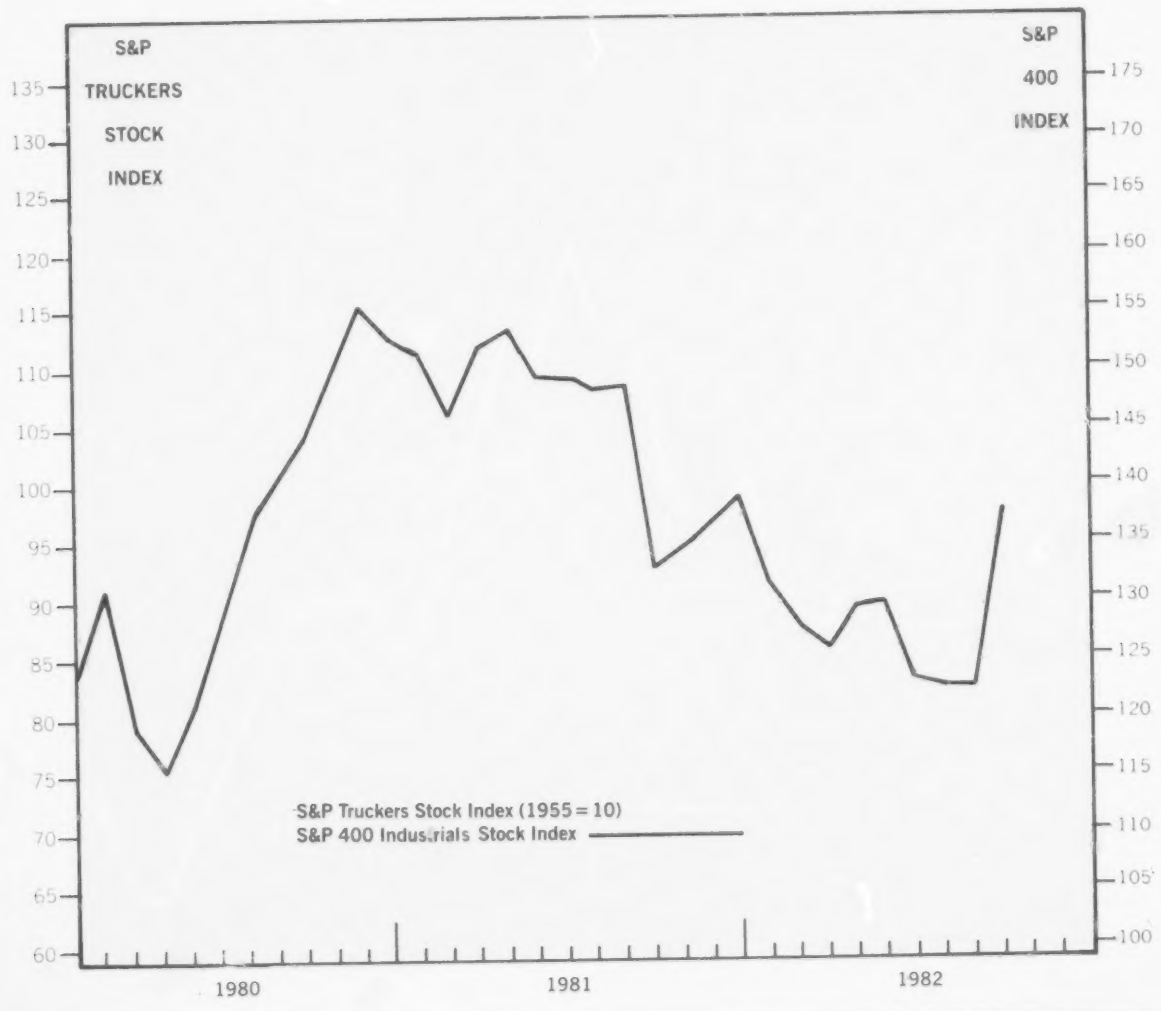


Chart III traces the average monthly index for the S&P 400 Industrials and the S&P Truckers for the periods 1980, 1981, and through September 1982. It is interesting to notice the general trends of the trucking stock index relative to the Truck Tonnage Index shown in Chart I. Not only did trucking stocks begin to advance about three months before truck tonnage turned up in August 1980 but they continued to climb in 11 of the next 14 months as they were joined by the general upward trend of truck tonnage and the F.R.B. indexes. The 1981-82 recession started in July 1981; trucking stocks began to decline one month earlier. The S&P 400, however, turned negative about eight months before the beginning of the 1981-82 recession. The abnormally early decline was primarily due to steadily increasing interest rates that resulted in a peak in the prime rate of over 20% in mid-1981. This quickly restricted industrial activity and dramatically curtailed consumer borrowing.

Table III shows that trucking stocks outperformed the broader-based average in 1981 when comparing year-end point-to-point index levels. A very difficult first quarter of 1982, due to severe weather and continued economic slide, kept trucking stocks in a descending pattern until mid-June, when second-quarter reports began to show better than expected results for many of the leading trucking companies. In spite of the difficulties of the trucking industry in general, the few public companies that comprise the index are characterized by strong balance sheets, relatively large market share, economies of scale, and management depth. As a result, most of these companies were able to increase market share and adjust operations quickly to the lower levels of economic activity. Also, the high interest rates that plagued many carriers had less of a negative earnings impact on these leading companies. Some fortunate enough to have large cash and marketable securities portfolios actually experienced improved earnings due to the high income yields and increased cash positions (since capital spending had been reduced) compared to the year-earlier period. This stock price advance sparked a move that has ignited a 42% advance in the S&P truck stock index from its low point in March 1982 to a level in September 1982 that is second only to the peak in 1976 (see Chart II). The June truck index advance was two months ahead of the general market.

TABLE III

Stock Index Annual % Change Comparison

	S&P 400 Index 12 31-Close	Year-to-Year % Change	S&P Truckers Index 12 31-Close	Year-to-Year % Change
1976	119.46	+ 18.4%	129.96	+ 20.3%
1977	104.71	12.3%	95.69	26.4%
1978	107.21	+ 2.9%	73.31	23.4%
1979	121.02	+ 12.9%	73.39	+ 0.1%
1980	154.45	+ 27.6%	83.66	+ 14.0%
1981	137.12	11.2%	99.69	+ 19.2%
1982 thru 9 29 82	135.91	0.9%	126.84	+ 27.2%

Key Elements of Change in Trucking

Probably more change has occurred in the trucking industry during the past two years than has occurred during the entire period since 1935 when regulation of trucking began. Under this heading I will outline several key areas in which change is already underway and where future changes are likely.

Ease of Entry

Perhaps one of the more influential changes brought about by the Motor Carrier Act of 1980 was the easing of entry restrictions. Previously, tighter restrictions had created a value to a regulated trucking company's operating authority. Operating authority was essentially similar to a franchise to operate in a prescribed territory or route network which was specified in fairly precise terms. It was not exclusive, since more than one carrier generally served these areas. However, few were ever added, and the nature of the competition was a known factor. Differentiation between carriers was generally on the basis of service, established relationships, areas served, company reputation, etc. Price was seldom a factor and new competing entrants into the industry were rare.

In 1979 there were some 17,000 regulated common and contract carriers. Today, the number is more than 23,000 as over 3,500 new operating authorities were granted in 1981 and even more have been granted in 1982. Most of these have been small contract carriers and irregular route common carriers where owner operators participate in the truckload (TL) category of the general commodities common carriage business. Generally, owner operators lease their services to haul freight for others. One of the most significant developments in the past two years has been the decline in truckload tonnage among the larger general commodities common carriers. Part of this mix change generally occurs during recessionary periods as businesses attempt to streamline their operations by reducing their inventory levels. As a result, order sizes tend to be smaller and operations are characterized as hand-to-mouth. However, the recent trend indicates that much more than the normal amount of TL tonnage (shipments of 10,000 lbs. or more) is being displaced by economic conditions. Chart IV published by the Regular Common Carrier Conference of the A.T.A. shows the substantial decline in TL tonnage vs. LTL (less-than-truckload) tonnage since mid-1979 through the second quarter of 1982.

Easier entry has been the primary cause for this mix change among the common carriers of general freight. Most of the large publicly-owned common carriers are oriented to the LTL traffic. However, TL freight is also an important aspect of the balance of traffic movements even for carriers deriving 75% to 80% of their revenue from LTL freight traffic.

One response to this proliferation of new TL competitors is that existing carriers are entering into contract carriage operations with large shippers (Dual Operations — having both common and contract carriage operations within the same company). This was not customary prior to the Motor Carrier Act of 1980. Dual operations provide an opportunity to compete for

this TL traffic at competitive rates and obtain back-haul freight and better loading, as contract freight may be mixed with general commodities freight (mixed loads).

Another avenue is the use of irregular route authority by regular route common carriers. Many of the common carriers have obtained this type of authority for all 48 contiguous states. More flexibility is provided the carrier to serve shippers via a non-specified route structure and to develop new markets in competition with the proliferation of new entrants.

Several regional carriers have begun to market competitive LTL and TL service to areas outside their existing authority via TOFC (trailer on rail flat car or piggyback). Final delivery of the freight is by another regional carrier under contract with the originating carrier. This is an outgrowth of deregulation of piggyback rates in the rail industry and the increased competition in the trucking industry since mid-1980.

Entry of new, low cost LTL carriers began in 1982. Under a plan using owner-operators for pick-up and delivery and also for the line-haul operation, Leaseway Express (a subsidiary of Leaseway Transportation) began operation in June with six terminal locations in each of six major metropolitan areas. Using simplified cost-based rates, this new company has segmented the LTL market and has chosen to serve a limited number of the major freight generating areas with a low cost system. Service is provided only between these major industrial centers and only LTL freight is hauled. This is yet another example of the type of dramatic change occurring in the highway transportation industry with its genesis in the regulatory change of 1980. However, these changes represent only the beginning of this structural overhaul in the highway transportation industry.

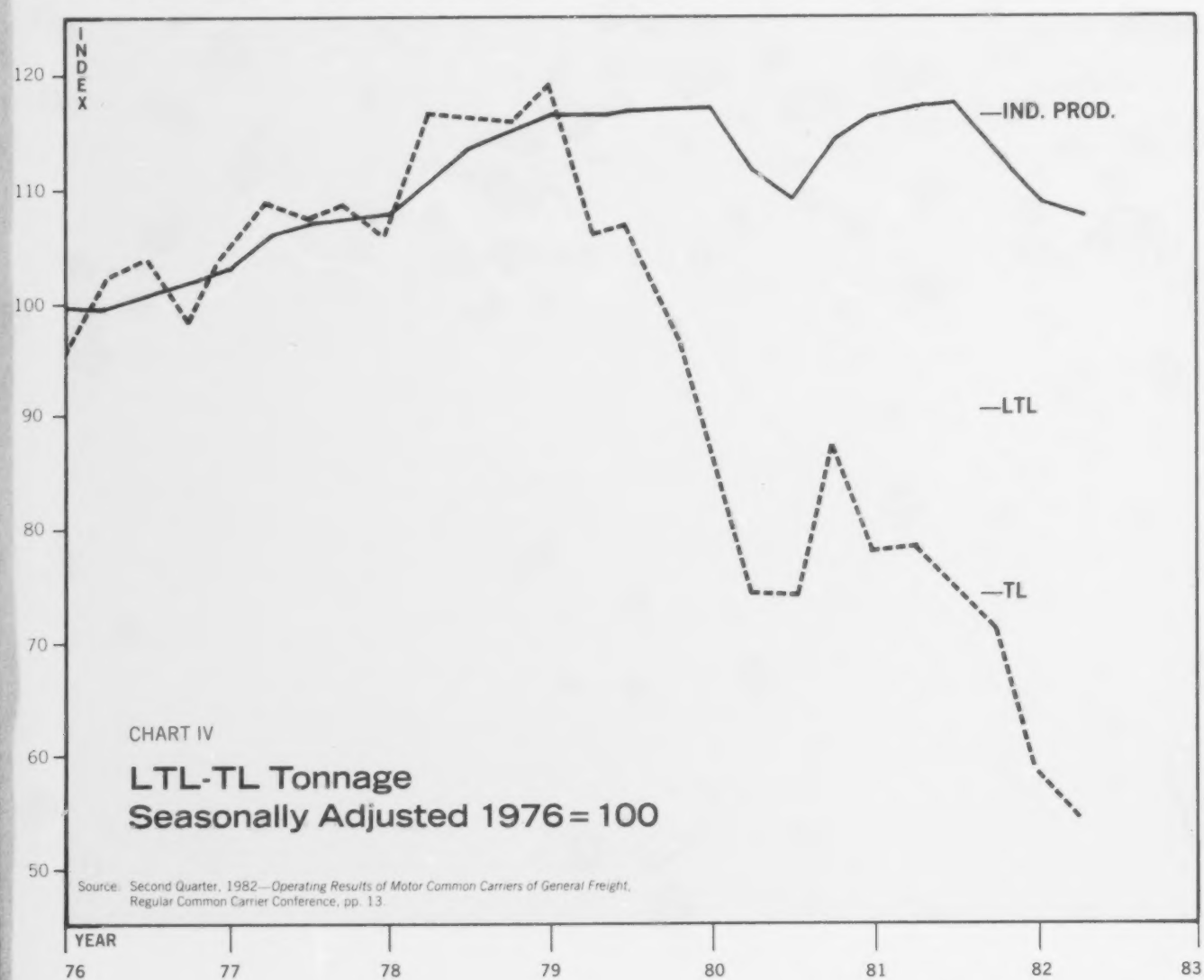


CHART IV

LTL-TL Tonnage
Seasonally Adjusted 1976 = 100

Source: Second Quarter, 1982—*Operating Results of Motor Common Carriers of General Freight*, Regular Common Carrier Conference, pp. 13.

Changing Labor Environment

Structural changes in the trucking industry combined with the difficult economic environment contributed to an early opening of negotiations for the 1982 contract between the International Brotherhood of Teamsters and Trucking Management, Inc. (TMI). The 1979 3-year Teamster contract expired on March 31, 1982. Negotiations for a new contract started late in 1981. An initial accord for a new contract was reached by January 15, 1982, and by the end of February the ratification process was completed for a new 37-month labor contract which became effective March 1, 1982, one month early. Key aspects of the contract include freezing the basic wage level of truck drivers and warehouse workers for at least two years (it can be reopened after two years if conditions in the industry improve or if they deteriorate further). It retains the COLA wage increase of the old contract (i.e., 1 cent per hour wage increase for each .3 point increase in the Consumer Price Index—CPI-W). However, the COLA adjustment will be payable only once a year on April 1st, instead of semiannually as it was under the old contract. A portion of the COLA adjustment will be allocated to health and welfare and pension plans each year as jointly determined by the union and management. Certain work rule changes were agreed to in some of the 31 supplemental area agreements "to enable the motor carriers to more effectively compete in a deregulated industry."

This contract is relatively modest compared to the 1979 contract it replaced. In the 1979 contract, wage increases totalled more than 35% over the contract period. Depending upon the assumption used for COLA during the 1982 contract period, teamster wages are estimated to increase about 21% from the current $13.26 per hour. This hourly rate does not include about $4.00 an hour for average fringe benefits.

Some 250 carriers were signatories to the 1982 agreement, down sharply from over 700 on the 1979 contract. Many carriers have chosen to negotiate locally in an effort to counteract the highly competitive conditions in trucking today.

Some 25% of the Teamsters are out of jobs due to the combined effects of the recession and deregulation. Some of these jobs may have been lost permanently and it appears that the historical relationship between the trucking industry and the Teamsters may be changing.

Another labor-related change affecting the trucking industry is the withdrawal liability created by the Multi-Employer Pension Plan Amendments Act of 1980 (M.E.P.P.A.A.). This amendment to the Employee Retirement Income Security Act of 1974 (ERISA) became law 9/26/80 and imposes substantial liability upon an employer who ceases operation or partially withdraws from a multiemployer pension plan. Under the M.E.P.P.A.A., an employer who completely or partially withdraws (according to certain limits) from a plan becomes liable for a prorated share of unfunded pension obligations. In many cases this unfunded pension liability could exceed the net worth of a particular carrier. The E.R.I.S.A. essentially transformed multiemployer pension plans into defined benefit plans instead of defined contribution plans from the standpoint of the carriers which made contributions under the Teamster labor contract.

Recently, the Senate Finance Committee approved a measure to remove the retroactive aspect of the M.E.P.P.A.A. which stated that unfunded pension liabilities were to become retroactive to April 29, 1980 for any company that came under the withdrawal specification of the law. However, this measure is not a remedy to the problems created by the M.E.P.P.A.A. and efforts are still underway to produce legislation that will protect retirees' insurance, reduce the number of ways by which the withdrawal liability can be triggered, and provide a sound pension-funding method. It is not likely that such legislation will be forthcoming before mid- to late 1983.

The potential liabilities created by M.E.P.P.A.A. have prevented substantial curtailments or even the halting of operations by some carriers which otherwise would have "folded their tent" during the past two years. This creates an abnormal competitive situation in the industry as the natural forces of free enterprise have been altered.

Changes in Freight Rate Structure

While motor carriers have always had the ability to offer special freight rates to shippers (with ICC approval), trucking industry rates were generally fairly uniform and predictable in the better economic climate which existed before enactment of the Motor Carrier Act of 1980. The Act and its provision for liberalized entry, and the worsening economic fortunes produced excess capacity and a financially pinched industry (with inflation and interest rates taking a toll) which caused carriers to pursue policies of outright survival. Those policies have seen rate cutting used as a key weapon to, at minimum, attempt to maintain market share.

The discounting of rates offered by a number of major carriers started a trend that has resulted in a proliferation of discount plans throughout the industry. Initially, carriers were offering special rates to individual shippers or groups of shippers to attract market share in late 1980. Excess capacity and worsening financial conditions caused the pricing policies to become more frantic and therefore less attuned to individual shippers. Carriers in dire financial condition went from the rifle approach to the shotgun in an effort to stay alive. Today, such discounts affect about 5% of the carriers' gross revenues. Some carriers have resisted a non-cost related pricing policy by working closely with their shippers in establishing rate programs designed to share economies generated through shipper cooperation on the handling and transportation of their freight.

In large part this competitive pricing trend is due to the excess industry capacity, which some estimate is in the area of 20%. Nevertheless, rate discounting and independent rate action are here to stay even during a better economic environment.

The Motor Carrier Act of 1980 also established a Ratemaking Study Commission, which is to study the need (or lack thereof) for antitrust immunity for collective ratemaking in the trucking industry. This group of ten members—three each from the Senate, House and four from the public sector—are to report their findings to Congress by January 1, 1983. Under the 1980 act, the industry's antitrust immunity for collective ratemaking on single line rates is to end on January 1, 1984 unless otherwise determined by the Congress.

The Commission held public hearings on the matter, and the record was closed on August 1, 1982. On December 9th, a 5 to 5 vote by the group resulted in a stalemate, thus precluding introduction of their recommendations to Congress.

As such, the basic ratemaking process will be continued for the immediate future. In spite of all of the independent discount filings, collective rate action was taken during the past year. In April, most rate

bureaus obtained approval for increases of about 5% to cover labor cost increases allowed in the 1979 Teamster contract which totalled $0.72 hour and other general cost increases. In addition, basic rates were increased to fold-in the fuel surcharge at varying times between the end of March and mid-April, adding about 3.1% to basic LTL rates and 10% to 11% to basic TL rates in most rate bureaus. Depending on individual carriers' mix of freight, this fold-in of the fuel surcharge may have increased or decreased revenue. Based on revenue need, most rate bureaus have also obtained or are filing for additional rate increases in the last half of 1982. There has been a noticeable lack of uniformity in the amount and structure of the various applications for rate increases in the last half of 1982.

In order to more properly compensate owner operators for fuel costs, a revenue-based surcharge plan that was started in June 1979 was replaced with a mileage-based formula beginning February 12, 1982. Carriers had 60 days to fold-in the revenue-based surcharge into their rates. Owner operators are currently reimbursed 13.5 cents per mile under the new formula based on the nationwide price for diesel fuel, compiled by the I.C.C., of 126.5 cents per gallon September 7, 1982. Initially, the reimbursement was 14 cents per mile in February when the program started.

Lower fuel prices experienced this year have helped offset some of the economic and competitive influences on the industry. We note that lower average fuel prices have resulted in a reduction in fuel costs (as a percentage of revenue) for several large carriers. For instance I.C.C. reports for two of the largest carriers show fuel cost (before fuel taxes) for the first half of 1981 in the area of 9% of revenue. In 1982, fuel cost for the first half had declined to an average of 7.5% of revenue for these two carriers. Some cost savings from lower fuel prices have helped reduce the impact of rate discounting to some extent. We would not count on lower fuel prices in the future as an important area of cost savings as fuel prices may return to their previous peaks in a stronger economy.

Truck Size and Weight Laws

Improved productivity is a challenge to every industry. In the trucking industry, progress is being made on several fronts including labor work rule changes, fuel-saving highway equipment design changes and elimination of certain federal and state regulations that restricted efficient operations. One area where important productivity improvements can still be forthcoming is the elimination of restrictive highway vehicle size and weight limits.

During the Arab oil embargo, Congress on January 1, 1975 raised the federal weight limit on interstate highways from 73,280 pounds (maximum gross vehicle weight) to 80,000 pounds. This was a permissive limit—states could adopt the higher weight limits but were not required to do so. There are currently only three states—Illinois, Missouri and Arkansas—that have not adopted the higher vehicle weight limit. These states effectively create a barrier to efficient east-west highway freight operation since a carrier must either load to comply with the lowest weight limit on their route or take a costly circuitous routing around these states.

A second barrier to efficient motor carrier operation is tractor trailer combination length restrictions. All but 15 states (mostly in the East and South) and the District of Columbia had permitted operation of 65-foot twin trailer combinations (units with two 27 or 28-foot trailers). During 1982, two states—Tennessee and Mississippi—passed laws permitting 65-foot doubles. A twin 27-foot trailer combination has 23 percent greater cubic capacity than a single 45-foot semi-trailer. With freight densities averaging 13 pounds per cubic foot, a 45-foot trailer is filled long before it has reached the maximum weight limit.

Legislation to increase the Federal fuel tax by five cents per gallon and increase special taxes on heavy trucks by more than 160 percent was introduced in the lame duck session of Congress. Based on a Department of Transportation proposal and supported by President Reagan, the House bill has already passed. The Senate version of the bill is expected to go to the floor shortly. This bill will also establish the vehicle weight uniformity and permit twin-trailers nationwide on interstate highways.

Increasing Sophistication of the Shipper

For a number of reasons, the typical freight shipper had not placed the management of traffic and distribution high on the priority list of corporate functions. Regulations often limited the options available, and relatively low energy and interest costs historically provided little incentive for improved efficiency in inventory and distribution management. The high cost of money and changing regulations have helped force the issue.

Trucking companies, in their more competitive environment, have also become more sophisticated in the area of marketing and sales. Functions such as corporate planning, marketing and advertising are being beefed up by many motor carriers. The sales function requires a more highly trained and innovative person than in the past. Sales orientation is increasingly geared toward determining the needs of the shipper and solving his distribution problems in a cost-effective manner.

Patterns for Success

There is no single, specified formula that will guarantee success or even survival of an individual motor carrier in this period of significant change. We continue to state that the future belongs to the well-managed, well-financed, and well-positioned companies in highway transportation. We can also observe trends in other industries subsequent to regulatory change such as the airlines, brokerage industry, and rail industry. In a September 1981 report prepared by McKinsey and Company, entitled *Capitalizing on Opportunities Created by Deregulation of the Banking Industry*, companies that have demonstrated successful patterns of growth under deregulation were classified into three types:

1) National distribution companies with a full line of differentiated products and emphasis on attractive service price trade-offs.

2) Low-cost producers—often new entrants following deregulation.

3) Specialty firms with strong customer loyalties and specialized services targeted toward attractive customer groups.

Those companies that do not adjust to the changing regulatory environment are weakened by the above outlined three types of firms. This study notes that: national firms will attract customers needing a broad range of products or that can service a large geographic area; low-cost producers will garner the price-sensitive customers; and the specialty firm will segment the market and zero in on specific customer service preferences or other requirements.

A number of publicly-owned companies are positioning into these general marketing categories. We think they are valid guidelines for successful growth in the highway transportation industry during the current decade. Investors should be rewarded handsomely during the next several years in selected trucking industry stocks given the combined potential for economic recovery beyond 1982 and successful individual company positioning during this changing period.

George Morris

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1979	Andras R. Petery Morgan Stanley & Co.		

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